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The 2nd Housing Awards Symposium

1990

Housing Young Families Affordably

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FOREWORD

The CMHC Housing Awards program completes each two-year cycle with a symposium. This symposium brings professionals together not only to celebrate the accomplishments of the award winners, but also to talk about issues that are important to the demographic group on which the awards and conference focus.

The Second Awards Symposium, held in Vancouver in September of 1990, looked at the young family. In Canada today, the traditional family is undergoing dramatic social and economic change. The participation of women in the work force has increased steadily (reaching 65 percent in 1986), as has the divorce rate, which is now about 50 percent. The fertility rate has been dropping continually, reaching a below-replacement rate of 1.7 and 1.4 in Quebec – a record among industrialized nations. The number of female lone-parent families increased by 125 percent in the 1970s, and the number of families without children increased by 75 percent.

In economic terms, only half of all young families in urban centres own their own homes, and one in five of those families experiences an affordability problem. The housing statistics of the last 20 years point to a trend of gradual decrease in their ability to own a home.

The family as the essential social unit, no matter its form, will continue to require an appropriate haven in which to grow. In fact, the greater the variety of its forms, the greater will be the range of housing options needed. The challenge of the symposium was to explore and describe the variety of family types, their needs and aspirations, their means and expectations. To address this challenge, the forum assembled a cross section of people involved in the process of housing production and provision – a range of professionals belonging to many disciplines and sectors. The goal was to raise participants' awareness of the issues and opportunities, as well as to stimulate dialogue and follow-up action.

While the symposium was very productive, its final success will be measured by what follows – by turning the symposium's ideas and issues into practice. The following proceedings, along with the companion document *Awards 1990*, should assist in this process. Together, these documents offer a unique compendium of our most recent understanding of the young family, and they offer the most creative solutions to address the young family's needs.

Copies of either document can be obtained by contacting:

Canadian Housing Information Centre
CMHC National Office
700 Montreal Road
Ottawa, Ontario
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THE 1990 HOUSING SYMPOSIUM: ITS SIGNIFICANCE AND GOALS

Eugene Flichel
Acting President
Canada Mortgage and Housing Corporation

Many people in this country have been calling on governments at every level to invest more money in housing, even though our experience in the last few years has shown that expenditures alone cannot ensure an adequate supply of affordable housing. In these days, when fiscal restraint has become obviously necessary, we have to look at changing the rules of the game; we have to look at new ways of doing things.

That is what CMHC's biennial housing awards are all about. The awards, together with our entire research program, are intended to act as a catalyst that gets people thinking about the fundamentals. The CMHC awards are intended to encourage us to look at new ways of approaching common concerns, and to find new tools.

Awards in all sectors of our society are created to give special recognition for exceptional achievement. As well, many awards help stimulate the transfer of information and the dissemination of new concepts. We hope that by recognizing excellence and innovation, we will encourage others to excel and innovate. In selecting a special theme for each competition, we are able to highlight areas that require special attention.

Our theme for the Second Housing Awards Symposium was "Housing Young Families Affordably." Our discussions there helped to broaden our view of the issues involved in ensuring that young Canadian families have access to housing they can afford. I believe our role at CMHC in sponsoring this event is an important one for a national institution in this day and age, when a single decision by one or more approval authorities can frustrate the best-laid plans for ensuring adequate shelter for all.

There are many different housing-related awards in this country. But the CMHC awards are unique because they reflect, in large measure, CMHC's mandate as the federal housing agency. From its very beginning in 1944, CMHC has had a very broad mandate. Through our social housing programs, we have played a major role in helping Canadian families and individuals who could not gain access to decent housing on their own. Over the years, we have contributed to the development of a portfolio of some 647 000 assisted housing units.

We have also been called on to support the effective functioning of the private market, an area in which Canada has made great strides during the past 40 or 50 years. CMHC has played an important role in extending access to housing financing, both through innovations in mortgage instruments and by providing mortgage insurance. However, many of the problems we face are not susceptible to expenditure solutions. Previous attempts to counteract market imperfections through expenditure programs have had limited success. We therefore recognize that we must focus our efforts on some of the systemic problems that prevent long-term solutions.

It is in this context that our role in providing information on housing is becoming increasingly important. CMHC's information function covers a broad range of housing-related topics, from research and housing technology to local, regional and national market analysis.

When we developed the new CMHC awards, we recognized that innovation was needed in many areas. The awards are therefore deliberately structured to recognize the complexity of the housing sector; submissions are considered in five categories: finance and tenure, planning and regulation, technology and production, management and process, and concept and design.

The first housing awards were presented in Halifax in 1988. The theme was "Housing for Older Canadians." The awards program was held in conjunction with a national conference that brought together people from around the world who were involved in providing seniors with

housing, health services and social services. Many older Canadians also attended.

The Halifax conference provided not just an audience for the presentation of the awards; it provided a forum in which many issues could be aired, and within which all of the actors involved could identify appropriate directions for the future. The conference also served to identify a number of new approaches, particularly in housing forms, financing, tenure and design. Work in these areas can greatly expand the range of options available for seniors. Many of these options are now being put in place across the country. In 1990, we continued the information exchange through the sponsorship of regional and provincial conferences on housing for seniors.

By encouraging the development of alternatives, we will ensure that our senior citizens can choose the most appropriate housing solution to meet their financial, social and health circumstances.

That is our objective.

In the 1990 symposium, our focus was on affordable housing for young families. In the past few years, we have seen some dramatic changes in our society. Young men and women are putting off marriage, delaying the time when they will start a family. They are having fewer children, and the average size of households has fallen. The number of single parents has soared from somewhere around 300 thousand to more than 1 million today – a significant increase. The number of families in which both parents work has increased from 750 thousand to 3 million. There is a clear need to encourage innovations for young Canadian families, to do more to ensure that all Canadian families have access to affordable housing.

At the same time, we face environmental challenges. Again, CMHC has been looking for better ways to meet the housing needs of Canadians now and in the future, ways that will not place undue demands on the environment. We believe that to be truly sustainable, housing development must address both economic and environmental issues. Our communities and cities must work not only in terms of dollars and cents, but also in terms of how they affect the environment and the people. We must preserve both our environmental and social "capital." This means, among other things, that we must ensure that our approaches to development do not depreciate the social environment.

Our residential areas must reinforce social equity. All our citizens must feel that they are sharing appropriately in the benefits of our society. We must create communities and cities that encourage the participation of all residents. We must provide all Canadians with a setting in which they feel they belong, where they are secure, where they can be happy and productive.

We know that while many Canadians are probably prepared to pay more taxes for increased policing, they would not support an equivalent increase in expenditures on health, education and housing. However, most of us who attended the symposium know that a cost-benefit analysis would likely favour the latter. The dollar spent on prevention would have a multiple return in decreased policing costs. The importance of this emphasis is particularly true for families, as today's children will be tomorrow's decision makers. A society that provides proper settings and conditions for the rearing of children will ultimately face lower costs and greater benefits than one that does not.

Many of the impediments to realizing this vision are pervasive, if not systematic. I could cite many examples; let me mention just one.

We've developed a complex, multi-layered system of by-laws, regulations and procedures for governing housing in urban development. These are important elements of our efforts to determine the kind of environment in which we will live. Individually, these regulations have value, but collectively they often delay the development of needed new housing, adding to cost. Or, they outright prevent the implementation of new approaches, frequently reaffirming a standard of housing that is neither appropriate nor within reach of the vast majority of Canadians.

That is why CMHC is sponsoring the ACT program. The acronym stands for "Affordability and Choice Today." This initiative is intended to stimulate refinements in our by-laws and approval procedures, to bring them into line with what is needed today. The ACT initiative – which is jointly managed by the Federation of Canadian Municipalities, the Canadian Homebuilders' Association and the Canadian Housing and Renewal Association – provides grants to the most worthwhile projects that involve the notion of regulatory reform.

ACT is a good example of how we can address some of the institutional impediments to sustainable cities – cities in which all Canadians

would share in the benefits our country has to offer. But there is much more that needs to be done. We need to pursue greater co-operation between various levels of government. To this end, we have set up joint committees across the country – committees that include municipal, provincial and federal representatives. We also need to build on the co-operation that exists between public, private and non-profit agencies. We have to ensure that everyone has a voice and a chance to contribute.

On the other hand, we must not kid ourselves. Initiatives such as ACT are not the cure-all. In fact, in the pursuit of sustainable development, it may be that we will need to explore new regulations. To be sure that the housing needs of Canadians are met in a way that is consistent with today's societal values, we may need to provide the market with better direction and different terms of reference. We may need to redefine the objective equation that society employs when looking at the different trade-offs. In other words, would we recognize success if we saw it?

The challenges we face today are complex. They require us all to be constantly searching for new ways of doing things, for ways of doing them better. That is what CMHC's housing awards are all about.

As in 1988, the 1990 symposium was an inseparable component of the awards program. We feel it is imperative not only to reward excellence, but also to understand it. Through our discussions, we identified innovations and explored new opportunities for providing more affordable housing for Canada's young families.

THE CHANGING NATURE OF THE FAMILY

Alan Mirabelli
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I'm fascinated, when I attend these sessions, when we suddenly discover change. Among other things, we discover that families have changed.

Part of the problem is that we tend to look at history in very narrow terms. If you want to study change in a culture, the first thing you should do is look at families. Families are the first indicator of change. Change is experienced and responded to by families long before society discovers the phenomenon.

The family has been described by a wonderful American sociologist named Elise Bolding. Elise wrote a history of women, which she has called *The Underside of History*. If you look at a rock's anatomy, it appears to have no life; but if you look underneath the rock, there's a great deal going on, there's a lot of life. Similarly, Elise discovered the role of women and families as agents of change.

She describes families in the way that you would describe an elastic band or shock absorber. The family stretches as the economic, social and cultural circumstances demand.

For example, if you live in an agricultural society, in which your survival depends on the number of people who are available to supply food, in which every member of the family is an economic asset, then you will have a very large family. You will stretch that elastic band. If, on the other hand, your culture develops in such a way that your children are no longer an asset, but are instead a liability in economic terms and a drain on – as opposed to contributors to – family resources, then the elastic band shrinks.

What we're seeing in each speaker's reference to change is this notion that the elastic band has contracted to its extreme, that the shock absorber of the family is now fragile and vulnerable. It is to this issue that I wish to address my remarks.

I'd like to start by referring to another woman, an American named Lettie Cottin Pogrebin. Lettie has written that "the essence of family is who it is, what it does and" – most important – "how it feels." I want to frame my remarks by referring to this statement, which instructs us to pay attention to what the sociologists and psychologists characterize as the structural, functional and effective dimensions of family living. In doing so, we need to acknowledge the present diversity in family forms or structures. We have to understand and respect the roles and responsibilities that families assume, not only on their own behalf and on behalf of their individual members, but on behalf of the society as a whole. And, finally, we need to appreciate just how much time is at a premium for the members of today's families, and how the quality of our family relationships is very much a function of what goes on beyond the front doors of our homes, in our communities, in our places of work, and in the decisions and policies of our governments and agencies.

I'll begin by asking you to question along with me some of the assumptions that we make concerning families. Many of us assume that there is this singular, homogenous, static thing called a Canadian Family. We assume that the single-parent family is an invention of the 1970s, and an unintended consequence of what *Saturday Night* has called the "f" word: feminism. We assume that there is an epidemic of adolescent pregnancies. We have grown accustomed to thinking of family life as more of a societal problem and a liability to individuals rather than as the cornerstone of society and the foundation of identity it was once thought to be. We assume, often on the basis of good but incomplete evidence, that family life involves essentially unhappy marriages, separations, divorces, the abuse and exploitation of women, children and old people, intractable conflict between the generations, and so on. Families

are often portrayed as no more than the places from which women and children run to find safety, and from which men flee in order to escape their responsibilities. We assume that everything about families is in a state of flux, that nothing is constant.

Our assumptions distort our views and ideas about families, at least as much as they illuminate some dimensions of the family lives of some Canadians. The dangers of relying on such taken-for-granted assumptions are illustrated by a story I first heard told by Dr. Lois Wilson, former Moderator of the United Church of Canada. She was describing a man in his late 60s who had moved from one community to another and needed to find a new family physician. As expected, during their first meeting, the new doctor wanted a family history.

"Tell me," asked the doctor, "how old was your father when he died?"

"Did I say my father had died?" responded the patient.

"No, I guess you didn't. I'm terribly sorry, I guess I just took it for granted. How old is your father?"

"My father is 85 years old and in excellent health."

"Wonderful. Well then, how old was your grandfather when he died?"

"Did I say my grandfather had died?"

"No, you didn't," said the doctor, somewhat flustered. "Again, I guess I took it for granted. How old is your grandfather?"

"He's 105. As a matter of fact, he's just been married for the second time."

"Amazing. But, tell me, why would a man his age want to get married again?"

"Did I say he wanted to get married?" asked the patient.

Taken-for-granted assumptions can certainly lead us down the garden path.

Without wanting to diminish what we might call the "down side" of family life – conflict, divorce, violence against women and children – it is important to remember that, for better or worse, the majority of Canadian marriages last a lifetime. Despite a recent drop in marriage rates, marriage remains a popular institution – so popular that many Canadians marry two or three times. And the most likely consequence of divorce remains remarriage. That should tell you something. The period between marriages is three years for men and approximately five years for women. Things can go wrong in a relationship, but the commitment over time to a relationship has not been devalued, certainly not in this culture. Marriage does not necessarily imply a willingness or a desire to bear children, as perhaps it once did, and there has been a notable increase in the rate of cohabitation and intentional childlessness. All this has implications for housing young families.

According to attitude surveys, Canadians say that their family relationships represent the most important dimension of their lives. When asked by Gallup or Decima or any other polling company, Canadians usually declare their families to be more important than their jobs, their salaries, their political convictions and their religious commitments. Needless to say, these responses actually tell us more about the people we would like to be rather than the people we are and the behaviours we practise.

The vast majority of young adults hold strong and very traditional aspirations for their own family futures. Most will tell you they expect to marry – only once – and that they expect to have at least two children, if not three. Only four young adults out of every thousand tell us they expect to experience divorce, even though present trends indicate that 396 of them are far too optimistic. This optimism has been maintained by young people despite the fact that a very large minority of them have already experienced the divorce of their parents; and a majority of those who have experienced divorce have also lived with a step-parent.

It is often assumed that our society is aging because we live longer. In fact, increases in average life expectancy play a very small part in the overall process of societal aging. The only significant factor in societal aging is the proportional decrease in the number of young people, which results from declining fertility rates. Today, during their reproductive years, women bear, on average, 1.7 children (1.4 in Quebec) – one of the lowest fertility rates in the Western world. Women and men have effectively taken control over their reproduction – and, like the people of practically all industrialized nations, have chosen to bear fewer children than are necessary to replace themselves. Shortly after the turn of the century, more Canadians will die every day than are born, and the role of immigration in sustaining a stable population base will grow increasingly important. The multicultural, multiracial, multi-ethnic and multi-linguistic character of Canada will become more

pronounced, especially in the metropolitan centres. This is clearly the case in Vancouver, Metropolitan Toronto, Montréal and parts of the Maritimes. In Toronto, the school board now prepares its publications for parents in 20 languages, and maintains a staff of interpreters that can translate 45 languages.

There is no epidemic of adolescent pregnancies. It is true that in comparison to 1939, when only 3.9 percent of births were to unmarried women, the proportion of 16.7 percent calculated in 1984 shows a dramatic increase in births to single women. But we need to recognize that the rates of both pregnancy and childbearing among adolescents have been declining in recent years, and that the increase in births to unmarried women reflects far more the behaviours and decisions of women between the ages of 20 and 35 who may or may not be involved in stable cohabiting relationships. The illusion that Canada has an epidemic of adolescent pregnancies has been fuelled far more by three quite different factors.

First, there is what I might call a free trade in American statistics. Their situation is radically different from ours, and we extrapolate a great deal wrongly. Second, there is a tremendous decrease in the number of shotgun marriages. And third, there has been a remarkable increase in the number of young women who, once having borne a child, choose to raise the child themselves rather than give the child up for adoption. Twenty years ago, 90 percent of those young women gave their children up for adoption; now, 90 percent keep them.

In addition to unmarried motherhood, the avenues toward lone parenthood include separation, divorce and death. Fifty years ago, more than 12 percent of Canada's families were headed by single parents; the figure for 1986 was 12.7 percent. In terms of overall proportions of our population, nothing has changed. What have changed are the causes that bring women to that state. Fifty years ago, widowhood was largely responsible for single parents; now the principal cause is separation and divorce. Elise Bolding has shown that, throughout the history of our culture, approximately one third of our single parents have been widows or widowers or un-partnered individuals. If you look at this figure in a myopic way, you see crisis. But if you look at it in context, you begin to see an emerging pattern. The reasons change, but the condition remains relatively constant.

Last but not least, one of the most dramatic changes we have witnessed in recent years is the increase in the paid labour force. Fifty years ago some 18 percent of women held paying jobs, while today 60 to 65 percent of all women do so.

This assortment of facts, figures and trends cannot provide a portrait of the Canadian family. In place of a singular representation, we see a gallery of diverse images. Families differ from one another by virtue of their structures and the characteristics and capacities of their members; their heritages of ethnic, cultural and linguistic traditions; their socio-economic resources and circumstances and the ways in which they divide responsibilities among members to ensure economic survival or prosperity; the ages of their members; and the characteristics of the communities, locations and regions in which they live.

Despite this diversity of family forms and the diversity of patterns of family functioning, many individuals, organizations and governments continue to labour under a taken-for-granted picture of the so-called "traditional" family life. We carry with us from the 1950s the image of family life that was portrayed through the popular program "Father Knows Best," an image that was later nostalgically remembered in the program "Happy Days." These programs, and perhaps our own recollections, lead us to take it for granted that the traditional family was composed of a male breadwinner who worked for wages in the marketplace, a wife who cooked the bacon, and children to whom the wife devoted all her time and energy.

Today, in contrast to this single image of what a family looks like, we have a plurality of images of family life, portrayed on such television series as the following.

- "Who's the Boss?" In this show, a male ex-athlete is employed as housekeeper and nanny by a successful, female advertising executive.
- "My Two Dads," in which two men inherit the custody of a teenage girl when her mother dies and the paternity is unclear.
- "Full House," in which three young men share responsibility for the child of one of the men (a widower).
- "Kate and Allie," in which two divorced, single women share a home – not just for economic reasons but also for companionship and intimacy.

- "Our House," in which a widow lives with her children in her father-in-law's house.
- "Growing Pains," in which the man is a house-husband who does a little psychiatry on the side.
- "Roseanne," which is perhaps a more realistic depiction of our families' economic circumstances and emotional tenor.

And of course, there are the Huxtables and Keatons. (Curiously, though both these families have two working parents, the parents' careers never seem to get in the way of their family lives. This is not the case for most of the dual-earner families I know.)

So it is now customary for researchers, helping professionals, teachers and others to declare their interest in families, not just "the family." Today, it is what families do, rather than what they look like, that provides us with a basis from which to acknowledge that single-wage families, dual-wage families, blended families, extended and three-generation families, and single-parent families are all variations on a common familial theme.

In the midst of all this diversity are the needs, aspirations and responsibilities that are common to all families, regardless of their form. (It's amazing, really, how we're so obsessed with form.) No matter what they look like, families are the primary places where we care for each other, where we produce, consume and distribute goods and services, and where we try to satisfy the emotional needs of individuals.

It used to be that, upon meeting another adult, one would ask how many children he or she had. Today, one is more likely to ask the children how many parents they have. This is an important consideration for teachers and family professionals who need to know whether their pupils or clients have one or two residences, whether they have siblings, and, if so, whether the siblings have the same family name.

The proliferation of family forms has led some people to lament the decline of the family and the erosion of true family values. Yet, it is wise to remember that the tradition from which these different family patterns is said to depart was a very brief tradition indeed, one that could not have lasted for much more than 50 or 75 years within a specific period in the history of industrialized societies.

The image of the single-wage, nuclear family isolated in suburbia invokes what is essentially a model of upper middle class family life in Victorian England, and mistakenly assigns to it the status of an historical constant. In fact, its applicability was limited to industrially based societies; and it served more as an aspiration than as a reality for the vast majority of the populations of such societies. Not until after the Second World War did such a life appear attainable for the working classes – classes in which the economic contribution of women, through agricultural, industrial or informal service-production, had always been a requirement. Furthermore, the return of women to the labour force did not, as we often assume, begin in the late 1960s and '70s in light of feminism. In fact, women started returning to the labour force toward the end of the 1950s – essentially to pay for the college educations of their adolescent children, since such higher education became a much-valued consumer commodity in the post-war years.

What is truly notable today is the proportion of young women who have entered or who have remained in the labour force while their children are young. During the past 20 years their numbers more than doubled, so that by 1986, 70.4 percent of married women of childbearing age were employed. Between 1976 and 1984 the proportion of working women who had children under the age of three rose from 32 percent to 52 percent. Of mothers with children between the ages of three and five, 57 percent were holding part-time or full-time jobs, and fully 64 percent of mothers with children between the ages of six and fifteen were active in the labour force. The bottom line is that the majority of mothers with dependent children now hold jobs. The so-called traditional, single-wage family is now outnumbered.

I have several reasons for speculating that women are in the labour force to stay.

First, there has been a dramatic change in the economics of the home. During the past years, what was once called the "family wage" has all but disappeared. This idea, once strongly defended by the labour movement and the churches but now badly out of favour, was based on the assumption that the average industrial wage paid to a male employee should be sufficient to support a number of dependents – usually a spouse and at least two to three children. And it was not uncommon in that context to see one man earning a given amount and another earning a greater amount for the same work, merely because the latter had five children whereas his colleague had only three.

It was upon this assumption that men, for a limited number of years, could assert that "no wife of mine will ever have to get a job." And it was upon this foundation of the family wage that the sex roles associated with it evolved. Yet today the average wage paid to a male employee is no longer sufficient to meet the financial needs of an equal number of dependents, as was the case during the 1950s and early 1960s. Accordingly, statistics tell us that the average purchasing power of Canadian families has deteriorated in recent years, despite the fact that, over the same period, there has been a dramatic increase in the number of dual-wage families. Statistics provided by the National Council on Welfare show that the number of low-income families (approximately 850 000 in 1986) would rise by 62 percent if the wages of women could not be relied upon to make ends meet.

Here, we have to be careful. We're talking in general terms. If we are talking about living in a community in northern British Columbia, it is radically different from talking about living in the outskirts of Vancouver or downtown Vancouver or Toronto. Clearly, where you live affects the options available to you and your family.

Obviously, this trend toward dual-wage families has consequences that are statistically normal and culturally normative for those families that cannot rely on two incomes – consequences that are severe. Single-parent mothers and their children are four to five times more likely to be poor than are families with two parents. Six in ten female-headed, lone-parent families live below the poverty lines or the officially designated low-income cut offs. The female lone parent cannot, by definition, rely upon the financial contribution of the spouse, and suffers from the generally disadvantaged economic status of women, insufficient or defaulted-upon support payments, a lack of vocational and training opportunities, a lack of job experience, and often inadequate support for the care of her children. The income differential between one-parent and two-parent families has been growing dramatically.

Second: societal aging will also impose pressure on all persons of so-called working age, be they male or female, to participate in the labour market in order to help sustain the proportionately larger costs associated with the income, health and social security of our older citizens.

Modern economies are addicted to growth. How many times do we as consumers, as citizens of this country, listen to a month-end report from Statistics Canada which tells us how housing starts are down? Not that the average Canadian gives a damn about housing starts, but it does tell us something about the country's economic health. It's a way of saying that the economy is addicted to growth and, consequently, is addicted to having consumers demand more and having the means to pay for all of it. Consequently, the economy is dependent on families having as much disposable income as possible.

If you look at the statistics from 1979 to the present, you see that the standard of living of families has not gone up by one dollar; it has remained constant, it's flat. The thing that has changed is that the labour required to maintain that standard of living just about doubled. In 1979, it took between 40 and 45 hours of human labour to maintain that standard, whereas it now takes between 65 and 75 hours. And guess what? Housing starts continue to grow a little bit at a time, and so do our retail sales. However, do you recall that we had a recession in the early 1980s? In large measure, while we talk about women's labour-force participation as though it is a function of feminism, we're missing the boat. We owe a great vote of gratitude in this nation to the women. If they all quit tomorrow, you would see that recession revisit us in spades. The women delayed it, they helped us avoid it because we fielded more workers as families in order to maintain the standard of living.

So, should we talk about women leaving the labour force? The Vanier Institute of the Family goes before parliamentary committees quite regularly to discuss a variety of things that affect families, and, when it comes to this question, what we hear from committee members of all parties are some very questionable perspectives. They basically would like women to just go away, because then child care would not be an issue. And no matter what kind of argument you put before them, you can't get them to hear you.

Once, out of desperation, a colleague and I finally said, "Look, governments like ours are dependent on income. You guys can't balance your budgets now, right? Have you any idea how much women contribute to the coffers of the federal and provincial governments through income tax, remembering that women earn 65 cents on the dollar?" We were glad they didn't ask us, because we didn't know, but at least it shut them up.

We then went to Revenue Canada and said, "We want to know." And they said, "We can't tell you. We don't know, we never calculated it." So we took out a lot of raw information and tried to calculate the figure. My rough approximation is that, for 1985, women's labour-force participation contributed 25 percent of all taxes collected on the basis of employment-related income. That's more than $11 billion. Not an insignificant amount of money. So governments themselves have become dependent on having women stay in the labour force. They just haven't realized it yet.

Now, let me turn from this dry and factual discussion about family diversity (who families are) and family functioning (what they do, at least on the economic level) to Lettie Cottin Pogrebin's third dimension of family life – how it feels. It is my impression that today's families often live on the leftovers of human energy and the leftovers of their members' commitment. They share their tiredness more than their liveliness.

Consider the following typical routine of the now typical young, dual-wage family. It may be familiar to some of you; if not, it will be to your sons and daughters.

Up early in the morning to get the kids dressed (hopefully no one is showing signs of a stomach ache), eat breakfast, make lunches, feed the animals, deliver the kids to the day-care or school, and rush to reach work on time. And heaven help you if there's a snowstorm that day. Then a workday with all its meetings, phone calls, clients, assembly lines, memos, and hopes that no major crisis will hit that requires overtime or even a small delay, because the baby-sitter is waiting and will quit if you are late again. Or the school-age child is at home alone, and may be with friends that you don't approve of.

Then the commute home (hopefully without major traffic tie-ups) to prepare a reasonably nutritious meal while listening to the children's litany for the day. Hopefully no one is showing signs of getting a cold, because the baby-sitter won't accept children who have anything infectious. If you are lucky, the kids all watch television quietly so that you can get the meal on the table as quickly as possible. Then you supervise baths and homework. You drop in a quick load of laundry (because someone must have that special shirt the next day) before rushing off to hockey practice, ballet lessons, music lessons, swimming practice for the kids, or a community-college course in microprocessing or a university course in business administration to upgrade your marketability. And then you have the parent-teacher meeting or the community day-care meeting, and that exercise class to try to keep your body fit so that you can maintain this kind of ridiculous pace. Of course, there's that one evening a week when you try to spend some time with your elderly parent. And then home in time for a scheduled amount of interpersonal relating before you watch the national news, which mercifully starts at ten o'clock instead of eleven, since most of us can't keep awake past ten-thirty anyway.

But you do have the weekends to look forward to, don't you? Yes, the weekend. That's when you drag the kids to Canadian Tire to buy the paint for the living room – painting that will occupy at least all of Saturday (after four loads of laundry) and part of Sunday. And then you do the yard work and fix that bicycle in time to clean up and be ready when friends drop by for supper. You fall into bed early Sunday night in order to be well rested and to get up in time to get the kids dressed, make the lunches....

Families are indeed incredible. Is it any wonder they need all the support we can give them?

As we accommodate to the demands on our time, our lives at home have started to increasingly resemble the workplace, since we're trying to transfer the workplace's time-management techniques to our family lives. I understand the reasons why we need to do this, I understand the value of family meetings and I know why family professionals tell us how important it is to make and keep appointments with our kids. I can assure you that my fridge and bulletin board look probably just as messy as yours in terms of the notes and reminders about this dentist appointment and that ballet lesson and so on. Still, I've got to question whether or not these workplace routines, which are designed to ensure optimal performance, maximum benefits over cost, and efficient utilization of time, contradict the fundamental notion of family togetherness and amount to an indictment of a culture and a society and a people that make families interact – if I can use the word in this context – in this way.

How many of you have received a talking notepad with your gasoline bill? You're supposed to leave messages to your children, saying, "Don't watch television until you've done your homework." Right. This is the kind of thing

we're talking about. Yes, as individuals we work less. We're working 35 hours a week (unless you're a workaholic), but as a family we're now working far more than ever. I think the only families that work harder than the average family are probably agricultural families, for whom the day starts very early and never ends. But for the most part, families work 65 to 80 hours a week. And we should remember that the average purchasing power of family incomes has remained static, so we're chasing our tails.

Let me return to something to which I made reference at the beginning. Let me return to that elastic band for a minute. The band is my way of suggesting that the family is constantly a reflection of, and an agent of, change. But there's the paradox: while the family is the embodiment of change, it is also the embodiment of continuity. If you think about those little rituals that we all take for granted – a birthday, a bar mitzvah, confirmation, a driver's licence, the first time you voted – all of these are demarcation points in a young person's life which say, "Today you're not the person you were yesterday. Today, you have more responsibility." We are celebrating change, and at the same time we're saying, "But you're still my son, you are still a member of this family even though you're not the same person you were yesterday."

Or think of the time your child pulled out the photo album and flipped through it and said to you, "Who is this?" And you knew darn well they knew who that was. It's them, six years ago. And you say to them, "It's you, you know that." And they look at you, and it gives you an opportunity to celebrate the continuity of the relationship that you have with them, a continuity that's unique and special. And you say, "But you're still my kiddo." But at the same time, you can acknowledge to that young child how different he or she now is, how much livelier, how much more responsibility they are capable of assuming. So you're celebrating a change within a very normal context – that of the family – and that's continuity. As much as you may dislike it, while marriages are broken up by divorce, family relationships are not. I cannot be divorced from my child in the true sense. That child will always be mine. So, we have this contradiction in families, a tug-of-war between continuity and change.

Let me share with you something that is of great concern to the Vanier Institute. The discussion seems to be on housing, on the needs of young families. Well, if you've heard anything in this symposium, you've heard that we're going to get fewer of them. If you've heard anything else, it's that families are feeling pushed up against the wall. What are we going to do if the recession that keeps being talked about really hits this time around? Who are we going to field? More kids into the labour market in order to support the family? I mean, that elastic band is fairly contracted.

Years ago, when I was researching the effects of television on children, the tendency in that field was to always look at the content and say, "All right, if you broadcast this content, it's going to have this effect on children." There are between seven hundred and eight hundred studies that approach the subject in this way, and they all end up with one answer. The answer is: "It depends." It depends on what? "The circumstances in which the child is raised." This wasn't satisfactory, so I started to look at things from a cultural perspective, and asked, "Why does television have an effect?"

I concluded that the experience you bring to the media will determine how you interpret the substance. Your experience determines whether you see something as being frightening, as being consistent with your world view, as being inconsistent, and so on. A child's experience is the critical factor.

Then, I looked at the culture in which we raise children. For the sake of argument, I'm going to try to describe two different cultures.

Imagine with me, for a minute, a square in some heart of old Europe – Italy, France, the Middle East. (You can still see such squares in the architecture around Montréal.) On one side, you have the church, the synagogue, the mosque – the religious institution. Normally, on the square's adjacent side, you have the school. On the third side, you have the open market, and on the fourth you have the cafés and shops and boutiques and pâtisseries. To do anything in that village or that community you have to pass through the square.

Go through it with me. You have a three-year-old child in tow as you go shopping. That child is in tow while you stop and argue over the price of tomatoes. That child is observing the world around you. Older children are coming out of school and playing relatively independently. There's an older couple coming out of church. They're helping each other down the stairs. There's a young woman with an infant,

struggling through the community. There are some kids – they're older than your child but not old enough to go to school – playing in the middle of the square. During a weekend, you would hear the political arguments in the café....

All of the above is providing the child with cues. It's part of his or her socialization for appropriate behaviour, long before he or she needs those behaviours. It's part of the culture.

Now imagine that the same child is no longer three years old; it is now six and is allowed to play in the centre of the square. That child hauls off and hits another child. Nobody is going to go looking for its parent and say, "Your child has misbehaved." The adult happening by will step in and say, "This behaviour is not appropriate, and as long as you persist you're not an honoured member of this community." What the adult is really saying to the child, through a very simple feedback, is that "Your identity is not being seen in a positive light at the moment."

Okay. The child is receiving feedback about who he or she is as a member of that community, independent of the parents. If the child had done something positive, the same thing would have happened. Somebody else would have come along and made a positive comment about that behaviour. So, the child is acquiring two things: it is having its identity defined by the community through a response to what he or she does, and it is being provided with a living context in which it sees the consequences of human acts. How people argue in the café, how conflict is resolved, how joy is expressed – the child learns all of these things long before he or she needs them.

The third thing that is happening in this little scenario, as simplistic and to some extent romanticized as it is, is that the community is expressing its support for the socialization of the children. The children are not the private property of their parents. Public space was meant to acknowledge and recognize that family is not something over here, and community is something over there. There is an integration. Families have never, in most cultures, existed outside of community. North America may be an exception. If we think back on some of the reasons why a lot of us ran to the cities, it was because we didn't like having everybody knowing our business in rural communities. So we went from one extreme to the other, to the anonymity of the city. Fifty percent of Canadians move every five years between neighbourhoods, cities, provinces and, in some cases, countries. So the concept of belonging, of being in a world where you are exposed to a living culture, isn't an option for many of us. The climate itself works against us.

Just as I have given you the village square as a way of defining and describing a particular culture, let me now describe to you how I see North America. Most young mothers go back to work not by choice but by necessity, which means they go back to work carrying a great deal of guilt. It's not a question of willingly abandoning their children. That child has to be immediately placed in day-care or child care. The moment the child enters into that world, it tends to relate to the children of a similar age, plus or minus four years. When the child reaches the age of four or five, it enters kindergarten, then grades 1, 2, 3 – all the way up to high school. And then it has another age group to relate to, the high school students. After that, it's university students and then a wider age-group composed of working people, until, finally, you reach the "golden years," when you really have to struggle.

North American cultures describe themselves by age, gender and interest. When you put a child in school by age four, it is immediately defined into kindergarten, and then the next year it's defined into Grade 1, and so on. The predominant influence on that child is the peer group – children of similar age, interests, and socio-economic and cultural backgrounds. So you have a banding in North American culture. The experience is quite narrow. To make a very long story short, the experience this child brings to the work years, and its store of cues for appropriate behaviour (how to deal with conflict, passion and joy), are not coming from the village square, from seeing other people resolve all those issues in reality. The cues come from the next best thing: television.

When I was a graduate student, I looked at J.C. Penney, which was experimenting with tele-shopping and home shopping long before they became fashionable. You simply called and said, "I'm interested in a lawn mower," and they would run a film loop showing you how it worked, its price, and so on. If you decided to buy it, you gave them a credit card number and the merchandise was shipped.

The field trial for this program lasted two weeks. Exactly two weeks, because women came back with a very strong response. They said,

"We shall not be isolated at home. We shall not have removed from us the only opportunity to encounter humanity without having to make an appointment or spend money." The shopping centre is the only place left that is a public space, where you can encounter people. The community centres don't serve this purpose. We all have community centres and we know they're empty. Or if they're not empty, there are women over here doing this, there are men over there doing this, and children over here doing that, and never at the same time. But when kids hang around shopping centres – whether in New York, Vancouver, Toronto or Halifax – they're all expressing the same thing. Kids who had grown up in suburbs in New Jersey and Connecticut would end up in Manhattan, putting themselves quite at risk in those neighbourhoods, saying, "We want to be where we can encounter people, we want to see how humanity lives, and we want an opportunity to respond to whatever is there and have that response acknowledged."

In many cases people are saying, "The isolation has gotten to us." Many young parents will tell you they have come close to throwing an infant against the wall when it wouldn't stop crying, because there wasn't another significant adult they could hand the child to and say, "Just bail me out for twenty minutes."

You want to discuss affordable housing for young families, but what I'm suggesting to you is that young families are up against the wall. And one of their initial responses to their situation is to not have children. Quebec is the only jurisdiction that has acknowledged that it has to do something – not about its housing, but about the culture which surrounds families and says constantly, "You had the children, they're your private property." The removal of public spaces and other types of informal supports is a constant reminder that you had the children and you're doing it alone.

So if there's an issue here for this group, it is to find the balance between affordability and the kind of housing stock that is flexible enough to be changed and modified as families' needs change. The challenge is to find a way to place young families in a community context that allows for public meetings ... and for God's sake never call it a "community" space, because nobody will go. We're talking about something informal and organic, and not something formal and programmed.

THE HOUSING ASPIRATIONS AND PROBLEMS OF YOUNG FAMILIES IN CANADA

Frank A. Clayton
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I want to talk a little bit about who young families are, and where they're going. I'm taking a market perspective. What are young families actually doing in the housing market, and how could we make some changes?

I've defined young families as, essentially, family households with a head (maintainer) under the age of 35. A family household is simply one family living in a self-contained dwelling unit. Many ethnic peoples have two families living in a house. My charts show these multi-family households, but I will not be paying much attention to them. I will largely be looking at husband-and-wife families, with or without children, in which the head of the household is under the age of 35. I will also be looking at single-parent families in which the parent is, again, under the age of 35.

Exhibit 1 shows types of families by age group. I'm a great believer in the family life-cycle. People do certain things at certain stages. Basically, that's how I interpret housing markets, and that's how I figure out what's going to happen in the 1990s versus the 1980s. That's why I set up the chart by age group and household type.

The first thing we notice is that there are almost two million young families, as we've defined them, across the country. Of those families, 56 percent are husband-and-wife families with children, 31 percent are husband-and-wife families without children, and about 12 percent are single-parent families. The other thing to note is that the adults are aged 25 to 35. Very few of them are under the age of 25.

Exhibit 2 shows trends – it shows where we think young families are, and where they will be by the year 2001. These projections stem from a study we did for CMHC a couple of years ago on medium- and long-term trends in housing requirements across Canada. Looking at 1976, 1986 and 2001, about 33 percent of young families are husband-and-wife families without children. The proportion stays the same throughout those years. But look at husband-and-wife families with children, and at lone-parent families. As Alan mentioned, lone-parent families are increasing proportionately and in total numbers. In 1976, 7 percent of all young families had single parents; in 1986 the figure rose to 12 percent, and we're projecting 17 percent for 2001. That's still not a big majority, but it represents about one quarter of all families with children in which the head of the household was under the age of 35. In relative terms, the importance of husband-and-wife families with children is declining.

The other trend that's taking place is aging. The baby boomers are giving way to the "baby bust" generation. Look at the 30-to-34 age group. In 1976, 40 percent of all young families were in that age group. In 1986 it was 47 percent, and by 2001 we expect 50 percent.

What is the importance of young families in the overall family structure or housing market? There are two ways of looking at this: as a proportion of all families, and as a proportion of all households. The first column in **Exhibit 3** shows the total number of families in which the head of the household is under the age of 35. The numbers peaked in 1981 and are now actually declining, simply because of the aging of the baby boom generation. Even if immigration stays at relatively high levels, the percentage will not change. The number of young families is going to decline.

The number is also declining very dramatically as a percentage of all families (again, because of the aging of the baby boom generation), and as a percentage of all households. In fact, if you

EXHIBIT 1
Characteristics of Young Families — Canada, 1986

Type of Family	Age of Family Head 15–19	20–24	25–29	30–34	All Young Families
			Thousands		
Husband/Wife Without Children	7	147	270	165	589
Husband/Wife With Children	3	78	367	609	1058
Lone-Parent Families	6	44	79	101	230
Multi-Family Households	0	2	7	10	19
All Young Families	17	270	723	885	1896
			Percent		
Husband/Wife Without Children	0	8	14	9	31
Husband/Wife With Children	0	4	19	32	56
Lone-Parent Families	0	2	4	5	12
Multi-Family Households	0	0	0	1	1
All Young Families	1	14	38	47	100

Note: Totals have been rounded off.
Prepared by Clayton Research Associates, September 5, 1990

EXHIBIT 2
Characteristics of Young Families — Canada, 1976–2001

Type of Family	Age of Family Head 15–19	20–24	25–29	30–34	All Young Families
			Percent		
			1976		
Husband/Wife Without Children	1	10	13	6	30
Husband/Wife With Children	0	7	24	31	62
Lone-Parent Families	0	1	3	3	7
Multi-Family Households	0	0	0	0	1
All Young Families	1	19	40	40	100
			1986		
Husband/Wife Without Children	0	8	14	9	31
Husband/Wife With Children	0	4	19	32	56
Lone-Parent Families	0	2	4	5	12
Multi-Family Households	0	0	0	1	1
All Young Families	1	14	38	47	100
			2001		
Husband/Wife Without Children	0	8	14	10	32
Husband/Wife With Children	0	3	16	31	50
Lone-Parent Families	0	3	6	8	17
Multi-Family Households	0	0	0	1	1
All Young Families	1	14	35	50	100

Note: Totals have been rounded off.
Prepared by Clayton Research Associates, September 5, 1990

EXHIBIT 3
Importance of Young Families — Canada, 1971–2001

	Young Families as a Percentage of:		
	Total Number	All Families	All Households
	Thousands		
1971	1418	29	23
1976	1762	31	25
1981	1974	32	24
1986	1896	29	21
1991	1825	26	18
2001	1557	20	14

Prepared by Clayton Research Associates, September 5, 1990

look at young families as a percentage of all households in 1986, the figure is one in five. Overall, young families are not the most important group in our society.

Let's turn to housing. This is really what we want to talk about. We have this notion that people – in particular young families – can't afford to buy houses. But **Exhibit 4** shows that, as of 1986, more than half of all young families owned their own house. When you get to the 30-to-34 age group, two thirds of all young families across Canada own their own house. For husband-and-wife families with children, the figure is three quarters. So I wonder, why are we concerned about the housing needs of young families? It's all the other people we should be concerned about.

Now, let's look at the types of households. Only 20 percent of single parents are home-owners. Because of their low incomes, this group cannot compete in the private-ownership housing market. There are a lot of people in this situation, even though housing is very affordable in this country (with the exception of a few centres such as Vancouver and Toronto), even with 13 percent interest rates. Sure, there are things we can do to increase affordability; but generally, affordability is not a great problem.

What about the future? **Exhibit 5** shows the incidence of home-ownership by family type and age group. Back in 1976, 52 percent of all young families were home-owners. In 1986, the figure was 53 percent – no change. Our prediction for 2001 is that the figure will stay the same overall.

If we look at family type, an interesting pattern emerges. In 1976, 37 percent of couples without children were home-owners. By 1986, the figure had risen to 41 percent. Our prediction for 2001 is 43 percent, indicating a marginal

EXHIBIT 4
Home-ownership Among Young Families — Canada, 1986

Type of Family	Age of Family Head				
	15–19	20–24	25–29	30–34	All Young Families
	Number of Home-owners				
	Thousands				
Husband/Wife Without Children	1	34	115	93	242
Husband/Wife With Children	1	27	219	455	702
Lone-Parent Families	1	4	13	28	47
Multi-Family Households	0	1	4	7	13
All Young Families	3	66	351	584	1003
	Home-owners as a Percentage of All Families With Same Characteristics				
Husband/Wife Without Children	10	23	42	56	41
Husband/Wife With Children	31	35	59	75	66
Lone-Parent Families	13	10	17	28	20
Multi-Family Households	38	43	62	73	65
All Young Families	16	25	48	66	53

Note: Totals have been rounded off.
Prepared by Clayton Research Associates, September 5, 1990

EXHIBIT 5
Home-ownership Among Young Families — Canada, 1976–2001

Type of Family	Age of Family Head 15–19	20–24	25–29	30–34	All Young Families
	Home-owners as a Percentage of All Families With Same Characteristics				
	1976				
Husband/Wife Without Children	12	24	41	53	37
Husband/Wife With Children	22	38	59	73	63
Lone-Parent Families	10	9	17	29	20
Multi-Family Households	46	47	68	78	70
All Young Families	14	28	51	66	52
	1986				
Husband/Wife Without Children	10	23	42	56	41
Husband/Wife With Children	31	35	59	75	66
Lone-Parent Families	13	10	17	28	20
Multi-Family Households	38	43	62	73	65
All Young Families	16	25	48	66	53
	2001				
Husband/Wife Without Children	10	24	44	59	43
Husband/Wife With Children	32	38	61	76	69
Lone-Parent Families	14	11	19	30	23
Multi-Family Households	38	42	60	69	63
All Young Families	16	25	48	65	53

Prepared by Clayton Research Associates, September 5, 1990

increase during the 1990s. Of husband-and-wife families with children (this is the group that we are most likely to think of when we think about families and housing affordability), 63 percent were home-owners in 1976. In 1986, the figure was 66 percent for this group. Thus, during the recession, when interest rates went to 22 percent, the home-ownership rate actually went up. (CMHC had something to do with this, through its various programs.) The home-ownership rate is also rising for young couples with children. So in both cases, ownership rates are going up and the number of families in each category is going down.

Given these figures, are we building the right kind of housing for young families? **Exhibit 6** shows that virtually all young families live in single detached houses. Very few live in highrise apartments (buildings with five or more storeys). A significant minority live in "other" types of housing, largely townhouses. But the clear preference is for single detached homes. At times I find it difficult to understand why young families want this type of housing, because I think there's much to recommend the clustered townhouses, which feature built-in day-care and recreation facilities.

Exhibit 7 is based on information (collected by Statistics Canada) on household characteristics, including income and mobility. The data tell us that, during the period from 1984 to May of 1989, which included the boom in southern Ontario (a boom that peaked in April of 1989 or thereabouts), approximately 4.5 percent of all young families entered the housing market. The figure is a little higher among husband-and-wife families without children – which is not surprising, because a lot of couples buy in anticipation of having a child six months or a year down the road. Again, very few lone-parent families come into the market.

Now, the ownership rate is a little bit different than the proportion of families buying a home. The ownership rate is higher in B.C. and Quebec, for example, than in Ontario (**Exhibit 8**). The anomaly of Quebec I can understand, because the ownership rate there has historically been very low. But now, whether French Canadians want to

EXHIBIT 6

Home-owning Young Families by Type of Housing Unit Occupied — Canada, 1986

Type of Dwelling	Age of Family Head				
	15–19	20–24	25–29	30–34	All Young Families
	Percent				
	Husband/Wife Without Children				
Single Detached	63	73	79	81	79
Highrise Apartment	2	2	1	1	1
All Other	35	26	20	18	20
Total	100	100	100	100	100
	Husband/Wife With Children				
Single Detached	77	76	82	85	84
Highrise Apartment	1	1	0	0	0
All Other	22	23	18	15	16
Total	100	100	100	100	100
	Lone-Parent				
Single Detached	68	66	71	71	71
Highrise Apartment	2	2	1	1	1
All Other	30	32	28	27	28
Total	100	100	100	100	100
	Multi-Family				
Single Detached	63	65	71	75	73
Highrise Apartment	6	2	1	1	1
All Other	31	33	28	24	26
Total	100	100	100	100	100
	All Young Families				
Single Detached	70	74	80	83	82
Highrise Apartment	2	1	1	0	1
All Other	28	25	19	16	18
Total	100	100	100	100	100

Note: Totals have been rounded off.

Prepared by Clayton Research Associates, September 5, 1990

admit it or not, they're becoming North-Americanized and are buying houses. Quebec is the only province where the ownership rate increases in every census. The higher rate in B.C. is a puzzle. It could be due to the mix of the population. Ontario could be lower because of the price structure for houses. But roughly 4.5 to 5 percent of young families are buying a house. That's half of all young families over a 10-year period.

Young families are buying houses, but not new houses. They are buying resale houses because that's the cheapest housing out there. **Exhibit 8** shows that, from 1984 to 1989, roughly 70 percent of first-time buyers in Canada bought a resale house, while 30 percent bought a new one. In Ontario, only 17 percent of young families buying a first home bought it new. Notice that Quebec has a very high percentage of first-time buyers who buy new: 43 percent. That's because Quebec lacks a good stock of pre-owned housing, for the reasons I've mentioned. More than in other regions, builders in Quebec go after first-time buyers – that's where the money is. It is interesting that today in Toronto every builder in town is going after first-time buyers for the short term.

What do young families buy? **Exhibit 9** shows that 73 percent of young families who bought a new or resale home during the period

EXHIBIT 7
Annualized Propensity of Young Families to Purchase a First Home, Selected Regions, 1984 to May 1989

Type of Family	Age of Family Head			
	15–24	25–29	30–34	All Young Families
	Young Families Buying a First Home as percentage of All Families With Same Characteristics			
	Canada			
Husband/Wife Without Children	3.0	6.1	5.9	5.4
Husband/Wife With Children	3.6	5.3	4.6	4.7
Lone-Parent Families	0.3	1.0	1.3	1.0
Multi-Family Households	2.2	3.7	3.7	3.3
All Young Families	2.6	5.1	4.5	4.4
	Quebec			
Husband/Wife Without Children	1.4	6.4	5.7	4.9
Husband/Wife With Children	3.1	4.9	6.1	5.6
Lone-Parent Families	0.0	1.4	0.6	0.8
Multi-Family Households	0.0	1.8	4.9	2.4
All Young Families	1.5	5.0	5.5	4.8
	Ontario			
Husband/Wife Without Children	5.2	5.8	5.8	5.7
Husband/Wife With Children	2.2	4.8	4.1	4.2
Lone-Parent Families	0.3	0.2	0.9	0.5
Multi-Family Households	0.8	5.2	3.7	3.4
All Young Families	2.6	4.8	4.1	4.2
	B.C.			
Husband/Wife Without Children	1.2	6.4	8.1	5.6
Husband/Wife With Children	1.1	6.6	5.7	5.7
Lone-Parent Families	0.0	2.6	2.1	2.0
Multi-Family Households	6.7	5.5	4.3	5.3
All Young Families	2.4	5.9	5.6	5.2

Prepared by Clayton Research Associates, September 5, 1990

we're talking about bought a single detached house. Now, you might argue, "Well, we haven't got the alternative product out there." But it seems to be engraved in Canadians that they want the single detached house.

Finally, let's look at affordability. For **Exhibit 10**, I've assumed the existence of an average MLS-priced house in various marketplaces. We know the average income of a family. What proportion of an average income would a family have to spend on mortgage payments to buy this average-priced MLS house? This is just a rough calculation, but I suggest to you that if affordability means spending 25 percent or less of your income for a home, then few places in Canada have an affordability problem. The chart is already outdated because interest rates are now getting down to 13 and 13.25 percent.

There are exceptions: in Vancouver, the average family would have to spend 46 percent of its income to buy an average-priced MLS house. First-time buyers are having one heck of a problem in Vancouver. It's rougher than in Toronto. Toronto's only at 40 percent – a real bargain. In Halifax, the figure is 21 percent; in Montréal, 25 percent, even though 1987 prices rose rapidly in that city; Ottawa, 24 percent; Winnipeg, 18 percent. If you want affordable housing, go to Regina or Saskatoon. Calgary and Edmonton – although prices there went up in the past 12 to 18 months – are still 25 percent and 22 percent, respectively. If mortgage rates come down to 11.5 percent, then the problem will be

EXHIBIT 8

Proportion of First-time, Home-buying Young Families Buying a New Home, Selected Regions, 1984 to May 1989

Type of Family	Age of Family Head			
	15–24	25–29	30–34	All Young Families
	As a percentage of All Home-buying Young Families Buying a First Home			
	Canada			
Husband/Wife Without Children	26	34	28	31
Husband/Wife With Children	24	28	30	29
Lone-Parent Families	0	11	23	18
Multi-Family Households	19	11	30	19
All Young Families	24	29	29	29
	Quebec			
Husband/Wife Without Children	11	58	44	50
Husband/Wife With Children	54	47	39	42
Lone-Parent Families	—	23	0	14
Multi-Family Households	—	0	0	0
All Young Families	29	51	39	43
	Ontario			
Husband/Wife Without Children	26	18	23	21
Husband/Wife With Children	0	9	19	15
Lone-Parent Families	0	0	0	0
Multi-Family Households	0	0	31	12
All Young Families	18	13	20	17
	B.C.			
Husband/Wife Without Children	39	30	9	20
Husband/Wife With Children	0	26	24	25
Lone-Parent Families	—	0	53	31
Multi-Family Households	37	30	20	29
All Young Families	34	27	21	24

Prepared by Clayton Research Associates, September 5, 1990

even less severe. It will still be bad in Toronto and Vancouver, but Winnipeg will be down to 16 percent, and so on. So, I would suggest to you that, as far as affordability for first-time buyers is concerned, we have two or three trouble spots (Victoria is probably in there as well). But it's not a nation-wide problem.

We did a study for the Canadian Home Builders' Association in 1987. We called it Buttressing the Canadian Dream. We looked at ways of making home-ownership more accessible to people on the margin, without resorting to subsidies. We asked why home-ownership is such a good thing, why we should promote it. There are many reasons, but the principal reason is that, historically, home-ownership has created wealth. Now, because of the way the baby boom is going, it's questionable whether buying a house today is going to generate much wealth in 20 or 30 years. But for the next 10 years or so, it's probably a good way to build up assets.

Another advantage of home-ownership is that it tends to increase one's participation in society. If you've seen a ratepayer's group in action, you know what I mean.

Our study found that the major barrier facing potential home-owners who are on the margin of affordability is not an inadequate down payment, but insufficient income at the time of purchase. We calculate that most renters are spending about 20 percent of their income on rent. If these young couples just started putting away their savings for four or five years, they'd have enough money to afford a house, other than in

EXHIBIT 9

First-time, Home-buying Young Families by Type of Dwelling Purchased, Canada, 1984 to May 1989

Type of Dwelling	Age of Family Head 15–24	25–29	30–34	All Young Families
	Percentage of Total			
	Husband/Wife Without Children			
Single Detached	59	70	80	72
Double/Duplex	15	10	3	8
Row	9	7	7	7
Apartment and Other	18	13	10	13
Total	100	100	100	100
	Husband/Wife With Children			
Single Detached	68	74	76	75
Double/Duplex	4	9	11	10
Row	8	3	5	4
Apartment and Other	20	15	8	11
Total	100	100	100	100
	Lone-Parent Families			
Single Detached	82	78	71	74
Double/Duplex	0	4	5	4
Row	0	0	13	8
Apartment and Other	18	18	11	14
Total	100	100	100	100
	Multi-Family Households			
Single Detached	56	59	78	66
Double/Duplex	0	11	18	12
Row	0	9	0	4
Apartment and Other	44	20	4	18
Total	100	100	100	100
	All Young Families			
Single Detached	62	71	77	73
Double/Duplex	9	9	9	9
Row	7	5	5	5
Apartment and Other	22	14	9	12
Total	100	100	100	100

Prepared by Clayton Research Associates, September 5, 1990

EXHIBIT 10

Proportion of Average Family Income Required to Buy an Average-Priced MLS Home, 1990

Selected Census Metropolitan Areas	At 13.5% Mortgage Rate	At 11.5% Mortgage Rate
	Percent	
Halifax	21.1	18.5
Montreal	24.5	21.4
Ottawa	23.7	20.7
London	27.8	24.3
Toronto	40.1	35.1
Winnipeg	18.1	15.9
Calgary	25.2	22.1
Edmonton	22.2	19.3
Vancouver	46.0	40.3

Note: 20% down payment, and 25-year amortization period.

Prepared by Clayton Research Associates, September 5, 1990

Vancouver or Toronto. This study was carried out in 1987, before the problem in Toronto had become acute.

Now, if there is a problem in Toronto or Vancouver, is it temporary? Is there a market imbalance? Are there problems in the land supply, or in the size of housing that can be built, or in the type of housing? Recently, somebody in Toronto put new townhouses on the market for $99,900. This shows that the market is still responding to what buyers demand, but there are serious impediments to recovering an adequate supply of land for new housing (especially affordable types).

What strategy should we adopt? If you want to do something for people on the margin, the best thing is to launch an attack on the servicing, financing and municipal-planning obligations that artificially restrict the supply of available housing. Today in the Toronto market there are no walk-up apartments. Every other part of the country has them, but not Toronto. Why not? Because there is no land that's zoned for walk-up apartments. Walk-ups could yield 30 units per acre, as opposed to 15 units for townhouses.

The other thing you could do is introduce measures to reduce mortgage payments in the early years of home purchasing. Owners' incomes do go up, unless they get divorced, lose their jobs, and so on. What's needed is some kind of graduated-payment mortgage.

Another useful measure would be to get longer-term mortgages back into the marketplace, without forcing buyers to pay a big premium on the added cost. You can get a seven- or ten-year mortgage today, but you'll probably pay 14 or 15 percent, versus 13 percent for a five year mortgage. My firm is looking at ways to promote the use of longer-term mortgages.

THE HOUSING NEEDS OF YOUNG FAMILIES

Debra Darke
Director, Research Division
CMHC National Office

I will discuss the nature and extent of the housing needs experienced by young families.

Although approximately 90 percent of young Canadian families are well housed, about one in ten are not. These latter households live in homes that are either crowded, inadequate, or unaffordable for them. Furthermore, they are unable to obtain adequate, suitable housing without spending 30 percent or more of their income on shelter. It is these households, which CMHC defines as having a core-need, that I will discuss.

The data I will present are based on Statistics Canada's 1988 Household Income Facilities and Equipment micro database. Young families have been defined according to Statistics Canada's definition, which includes husband/wife families in which the wife is between 15 and 35 years of age, or lone-parent families in which the parent is between 15 and 35 years of age. This includes couples without children, couples with children, as well as male and female lone parents.

To provide some context, I will examine the composition of Canadian households, by household type. In 1988, just over 6.8 million, or three quarters of Canada's 9.25 million households, were families. Young families numbered 2.4 million, and accounted for about one third of all family households and one quarter of households overall.

There are some interesting differences between the housing occupied by young families and that occupied by other types of households. First – and this is not surprising – young families are more likely to be renters than are households in general, and are much more likely to rent than are all family households, as **Figure 1** illustrates. In many cases, as these young families move towards the goal of home ownership, renting represents a temporary or transitional situation. Figure 1 also illustrates that young families are less likely than the general population to live in apartments, even though they are more likely to be renters. This preference for ground-oriented accommodation reflects the presence of children in about 72 percent of all young-family households.

While young families are quite different in terms of tenure and the type of dwelling they occupy, they tend as a group to be much like other households with respect to income. However, they experience somewhat higher shelter costs than do other households. As a result, they spend a slightly higher portion of their income on shelter: approximately 21 percent, compared with 17 percent for families overall and 19 percent for households in general.

These few statistics provide a brief overview of the housing situation of young families relative to that of other Canadian households. However, young families as a group are far from homogeneous. There is a great deal of variation among young families, and I will focus on this topic for the remainder of my presentation.

As I have noted, the large majority of young-family households include children. Together, lone parents and couples with children account for about 70 percent of all young families. Couples without children, and a very small number of other household types, account for the remaining 30 percent. Although lone parents make up the smallest portion of young families – 8 percent of the group as a whole – they are the fastest-growing group of family households. Between 1981 and 1986, the number of lone-parent households increased by 20 percent, while family households overall increased by only 7 percent.

With respect to tenure and the type of dwelling they occupy, there are major differences among young families. Lone parents are much more inclined to rent than are other young families. Couples with children, on the other hand, are much more likely to own. This tenure pattern is also reflected in the choice of dwelling

Tenure and Type of Dwelling Occupied by Canadian Household, 1988

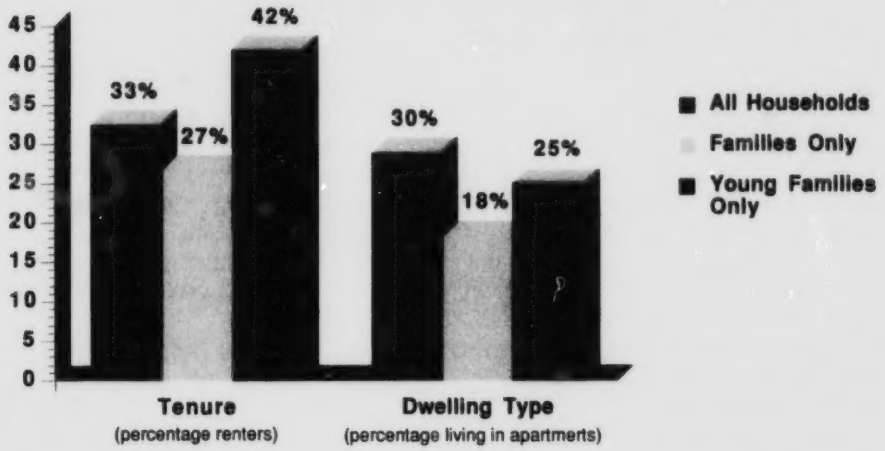


Figure 1

Average Household Income, 1988

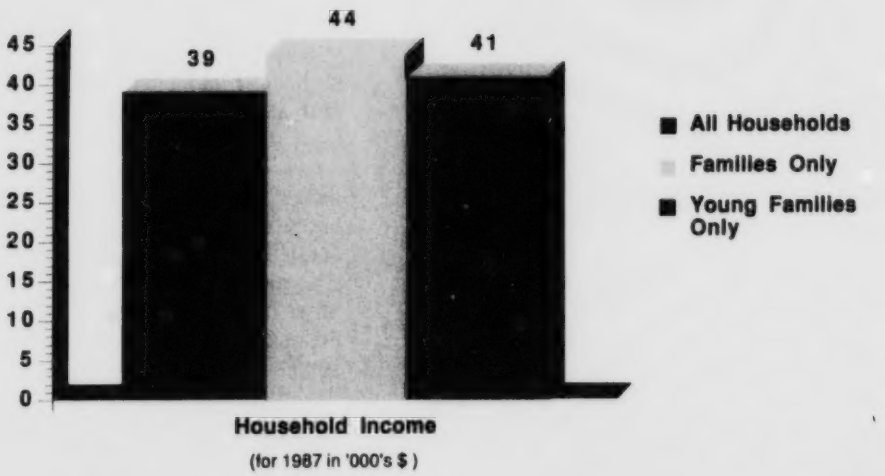


Figure 2

type. Lone parents are more likely to occupy apartments, while couples with children are most likely to occupy ground-oriented accommodation.

Within the young-family group, with respect to both tenure and dwelling type, childless couples fall between lone parents and young parents with children. The fact that lone-parent families are more likely to be renters and occupy apartments is no doubt a function of their income level.

Compared with other family types, the incomes of young one-parent families are strikingly low. On average, they earn only 37 percent of what young couples do. The difference in incomes, highlighted in **Figure 2**,

Core Housing Need Measurement

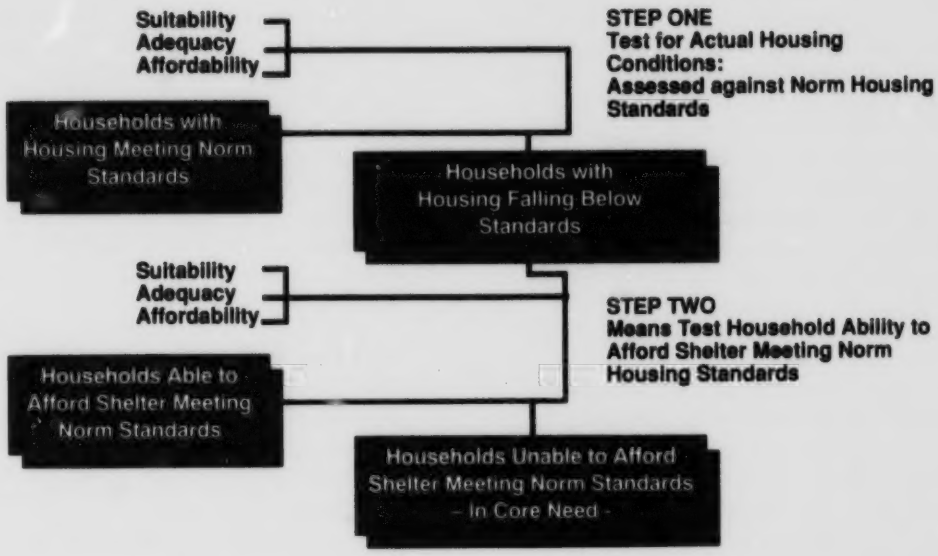

Suitability
Adequacy
Affordability
STEP ONE
Test for Actual Housing Conditions:
Assessed against Norm Housing Standards
Households with Housing Meeting Norm Standards
Households with Housing Falling Below Standards
Suitability
Adequacy
Affordability
STEP TWO
Means Test Household Ability to Afford Shelter Meeting Norm Housing Standards
Households Able to Afford Shelter Meeting Norm Standards
Households Unable to Afford Shelter Meeting Norm Standards
- In Core Need -

Figure 3

largely accounts for the difference in the shelter cost-to-income ratios experienced by family type. On average, lone parents spend about 36 percent of their income on housing, while young couples with children spend only 19 percent. As we shall see, these differences account for the higher incidence of lone-parent households within the core-need population.

Before examining the housing needs of young families, I would like to review the term "core housing need," and to explain how it is measured. A household is considered to be in core housing need if it lives in crowded, inadequate or unaffordable housing and cannot afford to obtain uncrowded, adequate housing in its general market area without spending 30 percent or more of its income on shelter.

As **Figure 3** shows, a two-stage procedure is used to measure core housing needs. In the first step, a household's living condition is tested to determine whether it meets established housing standards. These standards have been developed and agreed to by CMHC and the provinces for purposes of administering the federal and provincial cost-shared programs. The crowding or suitability standard specifies the number of bedrooms required, depending on the household size and composition. The adequacy standard relates to the dwelling's physical condition. A dwelling in need of major repairs would not meet this standard. The affordability standard relates to the portion of its income that a household pays for its shelter: it is set at 30 percent of the household's income. If a household lives in a dwelling that meets each of these three standards, it is not in core-need.

If the dwelling unit does not meet one or more of the standards, the second step of the procedure tests the household's ability to afford uncrowded, adequate housing in its general market area. If the household is able to afford housing that meets the standards, it is not in core-need. However, if the household lives in crowded, inadequate or unaffordable conditions, and is unable to afford adequate and suitable shelter, it is defined as being in core housing need. About 11 percent of young-family households experience core housing need. This is lower than the incidence of core-need among all households, which in 1988 was approximately 14 percent.

When the extent of need among the different types of young families is examined, lone-parent families are seen to be the most likely to experience poor housing conditions. Based on my earlier discussion of incomes and shelter costs, this is to be anticipated. At 56 percent, the incidence of core housing needs among lone parents is eight times higher than that for couples with children, and more than three times higher than that for households overall. In stark contrast, the incidence of need among couples with and without children stands at only 7 percent and 6 percent, respectively.

Among young core-need families, the most common housing problem is that of affordability. A total of 87 percent of those in need spend thirty percent or more of their household income on shelter, while 60 percent experience affordability problems alone and 27 percent experience affordability as well as suitability or adequacy problems. Only 13 percent of young-family households in core-need occupy crowded or inadequate housing but do not spend thirty percent or more of their income on shelter.

Other interesting characteristics of young families in core housing need include the following.

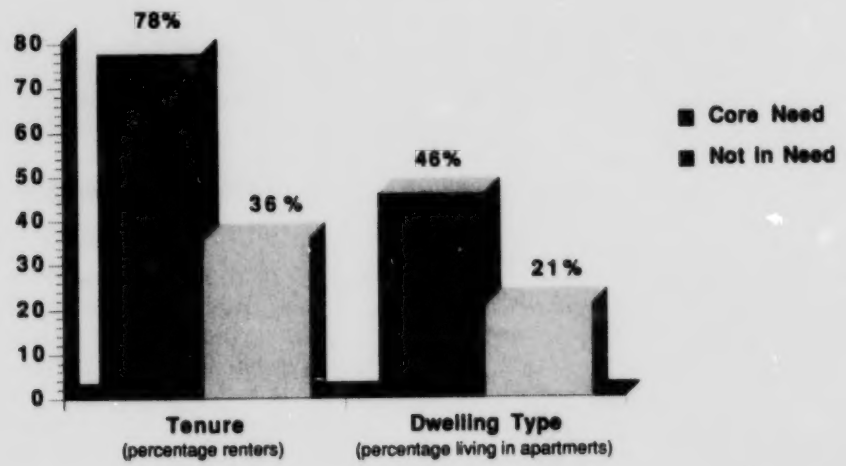
First, they are most likely to be renters (**Figure 4**). More than three quarters of all young families in need rent their accommodation. In contrast, only about one third of young families who are not in need are renters.

Second, many of the young families in need live in apartments: just under half of them, compared with only one fifth of those not in need (Figure 4).

Third, the average income of young families in core need is very low. It amounts to less than one third of the income of non-core-need young families.

Fourth, the shelter costs of core-need young families, though lower than those of other young families, are substantial in relation to their incomes. In 1988, young families in need spent, on average, just over 45 percent of household income on shelter, while those not in need spent only 18 percent.

Characteristics of Young Families in Core Housing Need, 1988



(percentage that are renters) (percentage living in apartments)

Figure 4

The relatively high portion of income spent on shelter, and the low incomes of young families in need, can be further explained by examining the incidence of needs in relation to the number of household earners. **Figure 5** illustrates the very low incidence of need among two-earner households. Only 3.7 percent of these households are in core housing need. In contrast, the incidence of need among couples with only one earner is three times higher, and among lone-parent earners it's more than ten times higher. As one might expect, the incidence of need among households with no one working is high for both two-parent and lone-parent families.

I'd like to summarize my discussion by highlighting a few of my key points about the housing needs of young families.

•Approximately 90 percent of the young families in Canada are well housed and can afford adequate and suitable accommodation.

•Just over 10 percent of families in core-need are renters who experience affordability problems.

•Perhaps the most notable of the statistics with regard to young families in core-need is the very high incidence of need experienced by lone-parent families. In 1988, approximately 43 percent of all young families in need were lone-parent families. Even more striking is the fact that the incidence of need for lone parents is eight times higher than for couples with children, and more than three times higher than for all households in general. This is due to the very low incomes of lone-parent households, which in part reflect the limited earnings of one-earner families.

Incidence of Need Among Young Families, by Head/Spouse Work Status

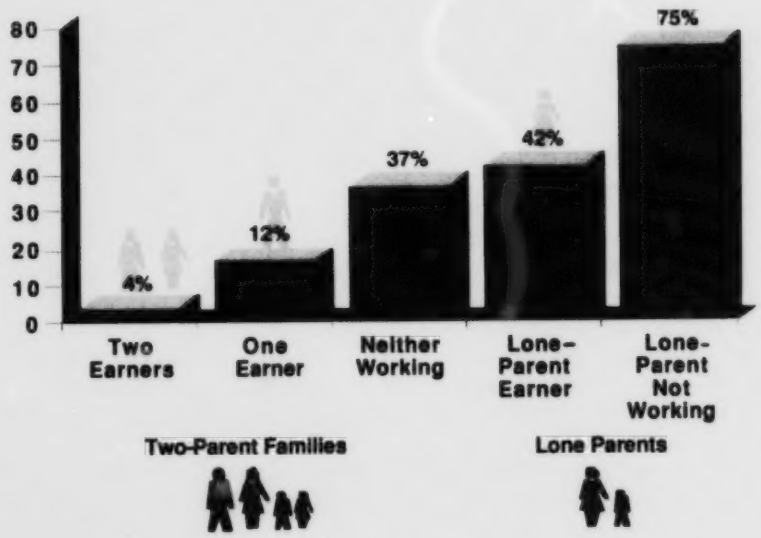


Figure 5

EXPECTATION, DISAPPOINTMENT AND COMPROMISE IN THE SEARCH FOR AFFORDABLE HOUSING

Jordan A. Levitin
Director, Homes National Survey
Environics Research Group Ltd.

For those of you who don't know us, Environics has, during the past 20 years, become one of Canada's most respected market-research firms. We are a fully independent, non-partisan market-research company with a head office in Toronto and affiliates in Montréal and New York City. And, through our Research on Social Change Network, we have links with market-research firms in 19 countries around the world.

Environics produces the Homes National Report, on which I will base my observations.

Since its first appearance in 1985, Homes has been and remains the only national survey of housing-market dynamics in Canada. We interview in 29 major markets across the country. Over the years we've talked to Canadians about their homes, about their buying habits and the characteristics of their dwellings and the dwellings' inhabitants, about renovation and repair and about energy conservation. We've also talked to them about their expectations and aspirations, about their hopes and dreams.

My colleagues, Frank Clayton and Debra Darke, have focused on the demographics of the need for affordable housing. I'll be shifting the focus more toward the lifestyle orientation. I'll be looking at the needs and expectations of the group that we at Environics call the "affordable" first-time buyer. The emphasis of this, of course, will be on those who do not yet own a home. After a brief look at the current aspirations of this group, I'll focus on what I think these aspirations will be in the 1990s and beyond.

The potential first-time buyer could be anyone who has never before owned a home. We at Environics maintain a very wide perspective on this, because we include anyone who plans to buy within the next ten to fifteen years. This allows us to look at both long-term aspirations and short-term need.

We subdivide first-time buyers into two groups. One group we refer to as the "affordable" segment, and the other as either "move-up" first-time buyers or "upscale" first-time buyers. I'll continue to refer to them as move-up buyers, because that's the term we've used in our data during the past few years.

The affordable segment comprises 78 percent of all first-time buyers. We define these people as those seeking to buy a home that's priced under the average housing price for their market area. The second group, the move-up group, comprises 22 percent of first-time buyers. They are seeking a house that's priced over the average market price for their market area.

At Environics, we also take a broad view of the concept of "family." We let our respondents define that term themselves; if they feel that the people in their household comprise a family, then we allow them to be considered as such.

So let's take a brief look at the demographics of Canadians who tell us they are looking for an affordable home. The data I will be discussing come from our 1989 home survey.

Here's the story as it unfolds from our 1989 home survey. Canadians who are searching for an affordable home are, on average, slightly older than those who feel they can afford a more expensive home, and they are also more likely to be married and twice as likely to have children. It seems, then, that the "married with children" stereotype is more applicable to the affordable segment than to the move-up segment. The two groups are also differentiated by education. The affordable group is less likely than the move-up group to have a university education.

Canadians who are looking for affordable housing have slightly lower incomes than the move-up group, and their income is more likely to come from two sources. Interestingly, the

affordable group is currently paying a slightly higher average rent than the move-up group. That may reflect the fact that, because of the increased likelihood of children being in these households, the group needs larger units. Other demographics tell us that those looking for affordable housing are most likely to already live in the suburbs of the 29 major markets we survey, while the move-up group is more likely to live downtown.

In 1989, the first-time affordable buyer felt more of an urgency to own a home than did the move-up segment. While the majority of both groups were looking to buy within five years, 15 percent of the affordable group, compared with 11 percent of the move-up group, planned to buy within the year.

The timing of the purchase for all first-time buyers has shifted since 1988. In 1988, 32 percent of those who intended to buy expected to do so within two years. In 1989, 38 percent had set this deadline.

So much for the demographics. Now let's look at the aspirations of the group that is looking for affordable housing.

The dream home is still a single-family, detached house, preferably a two-storey house. The bungalow holds more appeal for the affordable group than for the move-up group. Only two in ten would consider a condominium, and most in the affordable group require a townhouse as opposed to an apartment condominium. That little patch of land is still important. Interestingly, among the affordable group, a resale home is more popular than a new home. When we ask why, half the respondents tell us that new homes are simply too expensive.

Apart from the detached home, what other factors are important? According to the survey, the size of both the house and the lot are the most important features on the shopping list, even for those looking for an affordable home. Energy-efficiency and quality are also important factors. Over the past four years, a house's size and quality have both increased in importance. Canadians who are looking for an affordable home still expect to get space and quality.

While size is an all-important factor for our move-up segment, those looking for an affordable house also express interest in the number of bedrooms and in whether there's a finished basement, again probably because of the presence of children. The average house size that affordable buyers expect to buy is 1900 square feet. While this is significantly smaller than the average desired house size for the move-up group, it is clearly not a shoe box. In 1985, affordable buyers were willing to settle for 1600 square feet. All of this suggests that the Canadian dream home is the house in which Ward and June Cleaver raised Wally and the Beaver.

But can today's Cleavers afford their dream home? There is today what I call a serious "expectation gap" among all first-time buyers. During the past four years, there was a 55 percent increase in the maximum price that this group was willing to pay for a home, reflecting an increased cost of housing in most of Canada's major markets. (I should point out that these are national averages, and do not reflect different situations and different markets.) Now, while the maximum price that first-time buyers are willing to pay increased by 55 percent, the money available for down payment increased by only 3.7 percent. Across the country, those in the move-up group have, on average, $53,000 available. Those in the affordable group have $22,000. This may be the most telling difference between the two groups. Cash-on-hand seems to give the move-up group the impression – perhaps a mistaken one – that they can afford more of a house.

Those who are looking for an affordable home believe they would be able to afford up to $900 in monthly mortgage payments. Those looking for a more expensive home say they can afford as much as $1100 per month. Remember, both groups are currently paying, on average, rents of about $525 per month. When we factor together the maximum price they are willing to pay, the money they have available for a down payment, a 12 percent mortgage rate (which was realistic when we did the survey in 1989), and a 25-year amortization, we find a large group of very over-extended Canadians. The affordable group is underestimating by 16 percent the amount it would cost them to carry a mortgage. (This is nevertheless a somewhat more realistic appraisal than they had in 1988, when their estimates fell 25 percent short.) The move-up group is underestimating by 116 percent the amount they would have to pay to carry a mortgage.

Most first-time buyers realize that they are in for some disappointment. Two thirds of the affordable group, and just over half of the move-up group, realize that they will have to settle for less. The number-one compromise will be on

space. Canadians seem to understand that their expectations on this feature are just a tad overblown. However, they will be looking for a house that gives them the illusion of space, something that will make them feel that they have not had to compromise.

The second-most-common compromise is on location. But before we even asked this question, 47 percent of all first-time buyers indicated that, to find a home, they expected to move from their current community. This indicates a willingness to go farther afield to find that two-storey detached ideal.

This has been a brief insight into the current expectations – and the very strong likelihood of disappointment – among first-time buyers. We all know that attitudes are fluid and constantly shifting. An important part of our work is looking for clues about the future directions of Canadian society. In 1990, we came up with five predominant trends that we feel will shape Canadian society through the next decade and into the next millennium. Each will have a major impact on housing expectations for all Canadians.

Before we get to that, though, it is important that I mention one truism: that the baby boom generation will continue to set the agenda for Canadian values. The first reason for this is the sheer impact of their numbers. Eight million people were born between 1947 and 1966. The second reason is the impact of their values.

With this in mind, let's look at the five trends for the next decade.

Canadians will continue to believe that the ability to enjoy an affluent, materialistic lifestyle is a legitimate end in itself. The "me" generation has built up expectations that can result in disappointment but that are unlikely to be permanently abandoned. I have no doubt that materialism is as important to those who are seeking affordable housing as it is to the population as a whole. The dream of a home of one's own will not die, and the more space that is available inside, outside and all around, the more gadgets and toys that are available, the better. Any plan for affordable housing – simple and straightforward though it might be – must include concessions to the desire for bells and whistles.

Our studies indicate that Canadians will continue to admire and express the qualities of spontaneity, informality and individualism. The home is one of the most personal vehicles for self-expression, and affordable housing will have to be flexible enough inside and out to accommodate this need. Keep this in mind when you see plans for cookie-cutter affordable housing. Blank walls and sterile, pre-set landscaping may create housing, but they don't create homes. Canadians have a need to express themselves through the manipulation of their environment with embellishments and activities, in both private and public spaces.

At Environics, we believe that personal control will be an important trend for the next few decades. Canadians are now less likely to be fatalistic. The boomers realized during the anti-authoritarianism of the 1960s that they can be authors of their own destiny. They won't be as strident or aggressive as they were in the 1960s, but they will continue to believe that they have the power to make things the way they want them to be. Owning a home, a fortress, is a key element of personal control. It is essential for Canadians to be able to control intrusions into this fortress. As a result, privacy, sound proofing, and control over heating are all essential.

Our studies also show an increase in social consciousness. We've all seen this manifested in the growing importance of environmental issues in this country. Canadians believe that they can make a difference, but this does not herald a return to the truisms of the 1960s, when boomers fought to give disadvantaged people the benefits that they themselves enjoyed. Canadians now see other peoples' problems – drugs and homelessness, for example – as things that can affect us, that can affect our own lives and those of our 1.6 children. That is why Canadians are fighting for safer communities, for a cleaner environment, and for affordable housing.

Increasing social consciousness for our children's sake will mean a growing activism. Conflicts are arising between people who want a home on their own little patch of land and those who insist that society must protect agricultural land and urban woodlots. Socially conscious Canadians have these two opposing movements in their minds.

Finally, our most recent surveys indicate that Canadians are starting to express a real desire for balance, for greater stability and calm. The preoccupation with environmental problems and economic uncertainty is making them feel that the quality of their lives is somehow under siege, that they're paying for the excesses of the 1980s. The values that we seem to remember from the 1950s will be more attractive: family, community,

stability. But there will be no wholesale return to the actual values of the 1950s; we've come too far, we've changed too much since then. Instead, the symbols of some of the older values – Ward and June Cleaver's detached, two-storey house, for example – will continue to be important.

None of these five trends exists in a vacuum. Seemingly contradictory trends – materialism and social consciousness, for example – can actually complement each other. The affinity credit card is another example: it allows you to contribute to charity and indulge yourself at the same time.

The dream of home ownership is not going to die in Canada, but affordability will continue to contribute to what I have called the expectation gap. This mass disappointment will affect a very large segment of the Canadian population. Remember that the baby boom is not a bell-shaped curve; it resembles more the silhouette of a Volkswagen Beetle. The early boomers – the hood of the Volkswagen – have created the demand that has driven up housing prices in some markets. But the bulk of the boomers were born in 1958 and 1959.

They – the Volkswagen's windshield and roof – share the values and aspirations of their older siblings, and will be hardest hit by this expectation gap. Given their activism and their social consciousness, we can be sure that this group will not hesitate to make demands on government and private industry to provide affordable housing.

Any solutions to the problems must take into account the lifestyle expectations shared by all Canadians: the bells and whistles, the need for personal control and self-expression, the quest for balance. Creating affordable housing in the face of these high expectations will require creativity, co-operation and a touch of courage. Success depends on acknowledging and understanding the changing values of Canadian society.

THE FUTURE OF THE FAMILY

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Preamble

I plan to take you on a tour of topics that I am sure you will think have little or no influence on housing. To begin with, you will notice that more and more people are walking, not running. In an aging society, there is a need for more and more walking shoes, and fewer running shoes are sold! Walking paths, not running tracks, will be in increasing demand!

Boom, bust and echo

Figure 1 summarizes the results of Canada's 1971 and 1981 population censuses. This is a standard population pyramid that summarizes the population's age-gender composition. The reason it's called a population pyramid is that it has a pyramidal shape, which reflects the fact that, as you move up the vertical axis, there is a higher probability that you will pass on to the promised land, so there are fewer and fewer people in the top age groups. But even by 1971 the base of the pyramid was beginning to collapse. Back in 1971, we knew that by the late 1980s there would be "Help Wanted" signs in many of our retail shops, because there would be fewer people in their late teens and early twenties to work in those stores. And, in the late 1970s and early 1980s (especially through the recession of 1982, when the unemployment rate was sky-high), those of us who were discussing future labour shortages were laughed out of the conferences. And now we are invited back as gurus to address people like you! The point is, we knew in 1971 that this was likely.

I am trained as an economist. Economists can never do anything without making assumptions. Unfortunately, their assumptions are usually irrelevant. Nevertheless, I am going to make one key assumption, and it is going to permeate absolutely everything I do in this presentation. I will assume that, every year, you get a year older! If you can buy into this assumption, then you can follow all that is to follow. Consequently, if you look at the results for the 1981 population census depicted in Figure 1, you'll see that it reflects the 1971 results moved up ten years – ten years later, they are ten years older! There should be no surprise in this fact.

The most recent census data were collected in 1986. A comparison of the 1986 results with the 1981 results (see **Figure 2**) verifies my assumption – five years later, they are five years older! I will give you one guess as to where the pyramid will be at the time of our next population census in 1991! Now let us review the 1986 population profile.

Probably the most notable feature in this profile is the big bulge between ages 20 and 39. This is what we refer to as the baby boom generation. There is no doubt about where it starts. The first baby boomers are 39-year-olds refusing to admit, in the 1986 census, that they were 40! Being age 39 in 1986 means they were born in 1947. So by 1990, the front end of the baby boom is 43 years old; they are now entering the over-40 society. They are not demanding new mortgages any more – instead, they are now saving to pay for that housing.

It should be no surprise to you that, during the 1980s, the housing market has been booming. On average, people in Canada make their first house purchase around age 34. The first baby boomers born in 1947 reached age 34 in 1981. At that time, because of the macro-economic recession and because many of them were in advantageously priced, rent-controlled accommodation, they did not immediately enter the owner-occupied housing market. As the 1980s unfolded, the economy improved, interest rates fell, and they started to emerge and purchase their own homes.

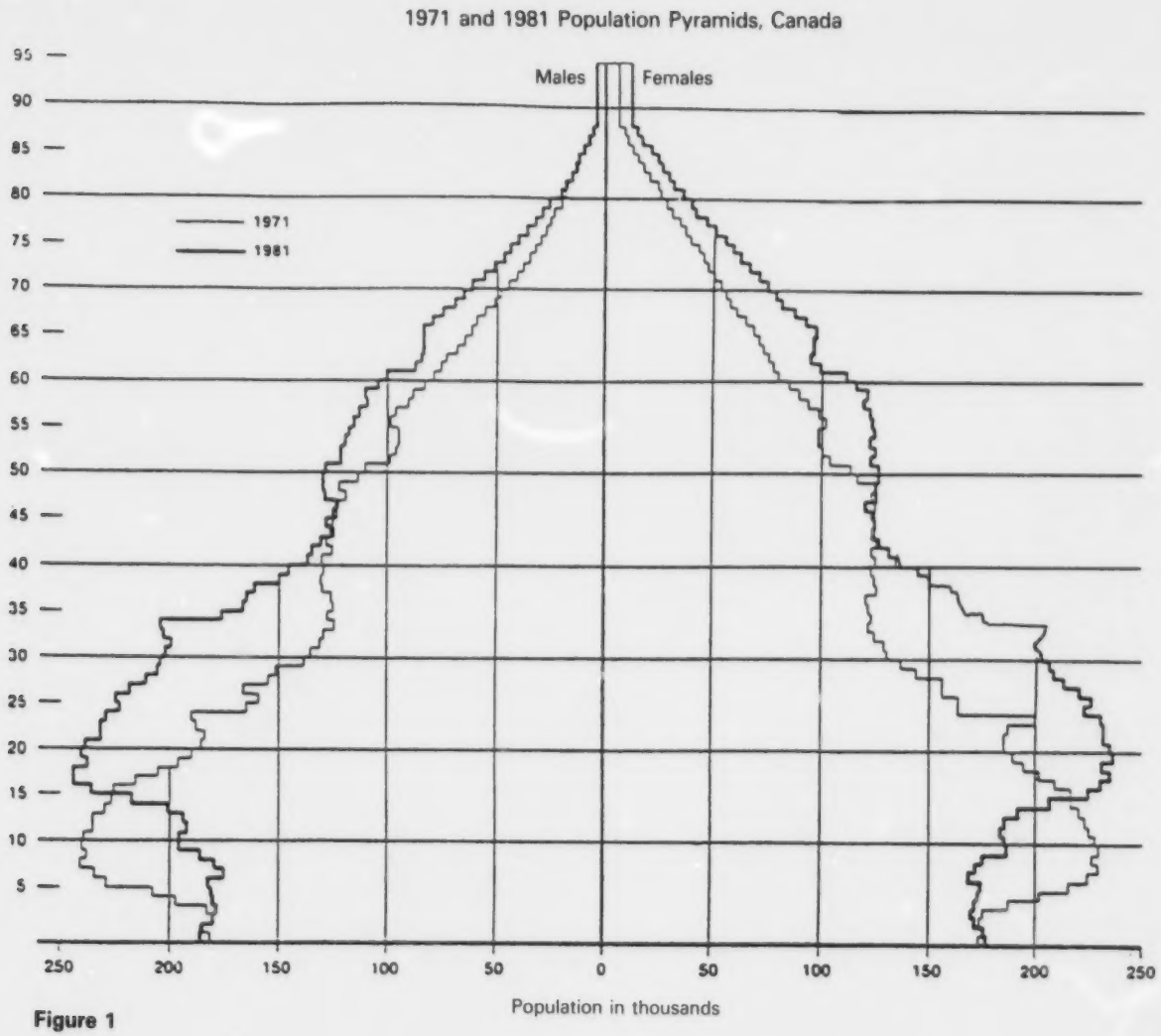

Figure 1

The peak of the baby boom was born around 1960, and thereafter, for many different reasons, fertility in Canada started to tumble. As a result, during the 1960s and through the 1970s we saw ever-fewer young people. So it is convenient to define the baby boom as those who were born between 1947 and 1966, with a peak around 1960. In 1990, they are aged 24 to 43, with a peak at age 30. Not surprisingly, the demand for owner-occupied housing is currently at high levels.

Following the baby boom, ever-decreasing numbers of births during the last half of the 1960s and all through the 1970s resulted in what Frank Clayton and I call the baby bust generation. These people are now 16. I don't know how many of you are trying to raise young families, but there are no baby-sitters to be found out there.

The scarcity of young people to do the baby-sitting is part of the stress on the family. By the way, there are a bunch of good, young economists being trained in this group of young people. They know all about the laws of supply and demand. They are in big demand from the baby boomers and are in short supply, and the price for baby-sitting is rising.

You will notice that, during the last six years, the base of the pyramid has not continued to fall in. If anything, the pyramid's base has been on the way back out during the 1980s.

I first started teaching myself demographics in the late 1970s and I remember encountering someone in a Ministry of Health who said, "That's good, an economist is getting interested

Age Pyramid of the Population of Canada, June 1, 1981 and 1987

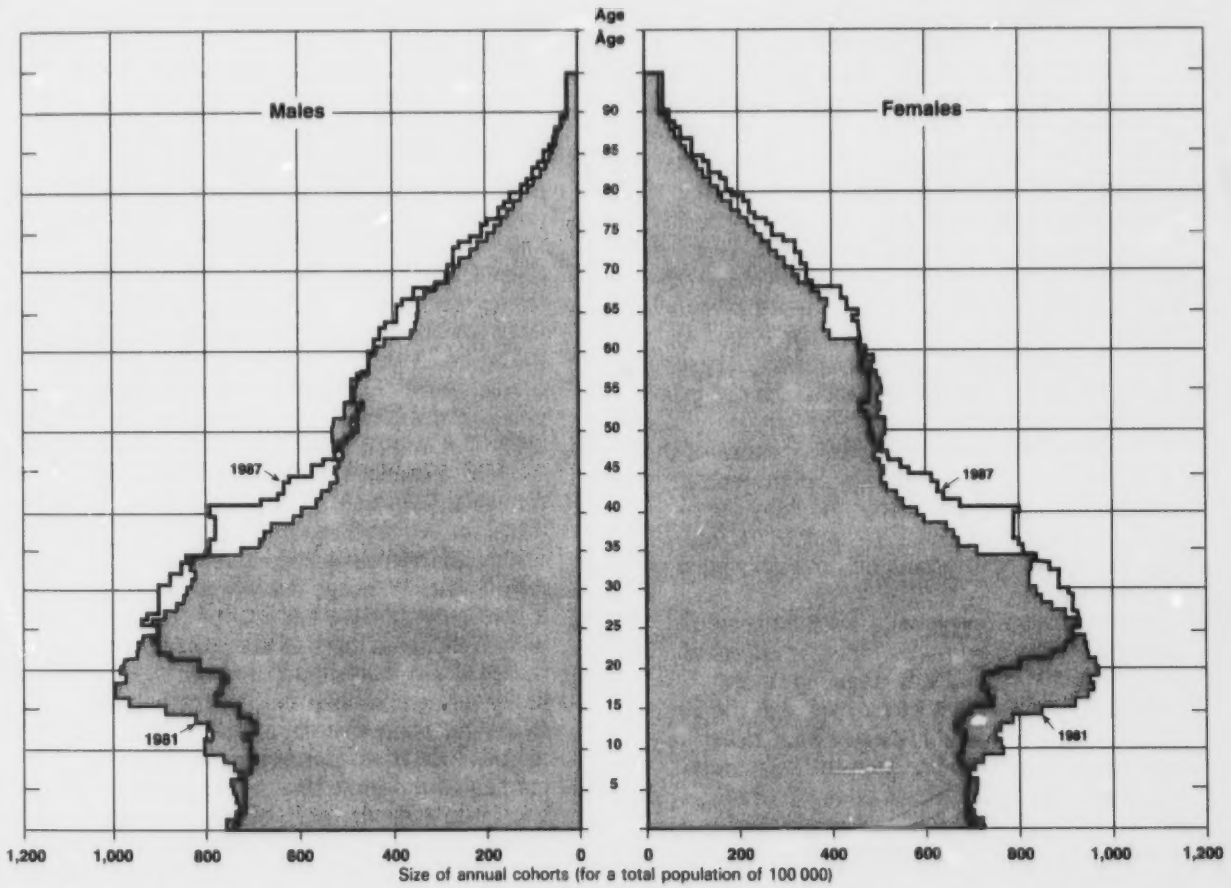

Figure 2 — 1982 and 1986 Population Pyramids, Canada

in demographic issues. It's about time." Then he said, "We know all about population aging; we are going to take our maternity wards and turn them into geriatric wards." I looked at him and said, "I wouldn't do that in the 1980s if I were you." His reply was, "Surely with an aging population there are fewer younger people and more older people, so we can turn maternity wards into geriatric wards." He continued, "Oh, you're not one of these people who think fertility is going to rise, are you? Women are not going to exit the labour force and go back and have more children." I replied that I thought it likely that fertility would continue to decline. He said, "Well, if fertility goes down, births go down, and we can do what we want." My negative response drew the return, "You don't understand demographics. Go back and teach yourself some more."

Well, fertility did indeed continue to decline during the 1980s, and yet the number of births rose. Why? The massive baby boom generation is now in its prime child-bearing years. Even though, on average, these boomers are having fewer children, there are so many more of them having (on average) fewer children that there have been more children being born. This is why elementary school enrolments are rising in many parts of the country. This is why the Toys-R-Us franchise is booming across the country. These are the children of the baby boom – the so-called baby-boom-echo generation.

So far, we have reviewed three features of the Canadian population – the baby boom generation born between 1947 and 1966, the baby bust generation born between 1967 and 1979, and the baby-boom-echo generation, the generation of the 1980s.

Now consider people who were 70 years old in 1986 – people born in 1916. The effects of the First World War clearly show up on the population profile. It is because we sent the boys off to war that fertility in Canada plummeted between 1915 and 1919. Then the boys came home, the Roaring Twenties were obviously good times, but these were followed by the Depression of the 1930s. Hardly anyone was born in the 1930s.

Bosses, marriage and day-care

Recently, I was in Toronto at a presentation given to senior financial people. In the audience were all these silver-headed men in their mid-50s, most receiving six-figure salaries. Of course, they are all very proud of what they have achieved. You look them in the eye, and say, "You think that you got to where you are by getting the bes possible education, by looking out for business opportunities and by working very hard. And you have been trying to tell your 28- or 29-year-olds that, if only they could get cracking and do the same thing, then they could also earn six figures by the time they are in their mid-50s. But being in your mid-50s in the 1980s means you were born in the 1930s. Hardly anyone was born in the 1930s – you couldn't miss out."

Worse still, the people born in the 1930s are now all seated as senior executives in our organizations; they're responsible for managing the baby boomers, whom they do not understand. The 55-year-old father cannot understand why his 28- or 29-year-old son is stil living at home. And these are the people now responsible for our human resource policies.

I cannot resist making a couple of other comments about things that affect the family. This increase in births during the 1980s implies an increased demand for day-care, which is why day-care is now one of the major issues on the national agenda. There are more preschoolers around than there have been for more than twenty years. Yes, the demand for day-care does have something to do with women working; but it also has a lot to do with basic numbers. Of course, when we finally get a sensible day-care policy in this country, the number of births durin the 1990s will be declining!

Also, I cannot resist another tongue-in-cheek comment. Men tend to marry women who are a couple of years younger than themselves, or women marry men a couple of years older. So far, the men over age thirty who were looking fo a younger wife have had lots of choice. The guys had all the bargaining power. Consequently, all those men in their thirties and early forties were pretty reluctant to firm up. So, marriage started to decline as an institution. There was much more cohabitation. But among the prime marriageable ages today, these men who were born at or after the peak of the baby boom (men now in their twenties) are facing a much smaller selection. These guys are much more anxious to firm up, and all of a sudden the younger women, who are in relatively short supply, are saying, "I'm not sure if I want to get married, thank you very much." The rise and fall of marriage as an institution has little to do with cultural values; it has much more to do with the laws of supply and demand!

Natives, Francophones and the Japanese

I would like to reflect on the demographics of our native Indian population. Perhaps the events at Oka could be a bellwether of what is to come for Canada. Look at the age distribution of the status Indian population compared with that of the non-Indian population. The baby boom in Canada's Indian population is occurring a good 20 to 25 years behind the rest of the population. There are numerous young warriors in their early twenties – proportionately more than in the population at large. And if you don't create jobs for your young people, they either leave or they tear apart your society. Native Indians are not going to leave their first nation. So what are they doing? They are beginning to tear apart our society. We have not successfully created jobs for our native Indians on the reserves or elsewhere, and we are now beginning to experience the consequences. This is only the beginning, reflecting a demographic pattern among Indian or native populations that is entirely different from that of the population at large. I will leave you to think about whether this point has any validity.

Another challenge to our country comes from the province of Quebec. Once again, demographics can shed some light on this situation. During the 1920s, '30s and '40s, fertility in Quebec was consistently higher than in the rest of the country. This was true both in the higher-fertility years of the 1920s and '40s, and in the lower-fertility years of the 1930s. Then, with the "Quiet Revolution" in Quebec during the 1950s, the fertility rates converged, and since the early 1960s the fertility rate in Quebec has been consistently below the rest of Canada. Since you need two children to replace yourself and your partner, the current fertility rate of 1.7 children per woman in the rest of Canada is still below replacement. However, the current figure is under 1.5 in Quebec. Quebec is procreating itself out of existence at a faster rate than the rest of the country. Therefore, it should not be surprising that they are concerned about the continuation of their culture. This is reflected in Quebec's public policies. I am sure you're aware of the contents of Quebec budgets that were tabled in the late 1980s. In the spring of 1990 they revised the cash payments for children. I believe it is now $500 for the first child, $1,000 for the second child and $6,000 for the third and every additional child.

Stop and think about the implications of a society that is now encouraging a bigger population. How different this is from the 1960s, when we were worried about overpopulation. In fact, the Quebec policy has received stinging criticism from some sources. The environmentalists are up in arms over the Quebec policy. They cannot believe that they live in a country where people are paid to produce more polluters! The attitudes in non-Quebec Canada to this demographic fact and resulting policy are quite different. Perhaps this is why we have two emerging solitudes.

Some say that Quebec has one of the lowest fertility rates in the developed world. It is perhaps worth noting that the fertility rate is 1.4 in Metro Toronto and 1.2 in Ottawa. It is around 1.4 in Scandinavia, around 1.3 in West Germany, and is under 1 in northern Italy (so much for the Vatican's influence). At 1.66, we as a nation are still fairly high by developed-country standards. In fact, it is useful to do some international comparisons, because that way you will realize that, as far as demography is concerned, Canada is relatively unique in the world.

Figure 3 shows the fertility pattern in the post-war period for Canada and a selection of three European countries: Great Britain, France and Italy. In Europe, fertility rates rose in the post-war period, then levelled out and came down in the 1970s.

Fertility, Canada and Europe

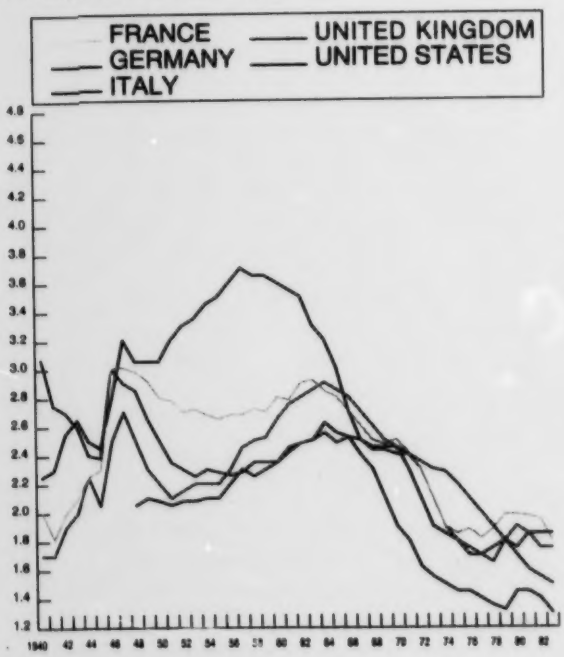

Figure 3

The U.S. profile is very similar to Canada's. Their baby boom started in 1946 and finished in 1964. So they are about a year ahead of us in that regard. By comparison, the fertility rates in Japan plummeted right after the Second World War. Would you have wanted to start a family after two atom bombs had been dropped on your country? This meant that, in Japan, fertility started its downward slide a good 20 years before it started declining in North America. Consequently, the Japanese ran out of new entrants to the labour force in the early to mid-1960s. Since they were not willing to turn to immigration, their only choice was to put in place new capital equipment to produce their output. Now, if you give new capital equipment to a slower-growing labour force, what happens to productivity? It increases dramatically. (This increase has little to do with the brilliance of their management style; it has much to do with very different demographics in Japan and North America.)

My basic point is that because Canada's demographic profile is relatively unique in the world, our international comparisons are limited at best and downright misleading at worst.

Aging, marketing and housing

This is probably a good time to review why we have a society that's aging. We have an aging society because there are fewer children around. This has something to do with the benefits and costs of having children. Another reason we have an aging society is that, because of increasing life expectancies, we have more older people around (**Figure 4**). During the past sixty years, life expectancy has increased for both men and women. Back in the 1920s, if you were born male, you could expect to live, on average, until age 60; if you were born female, your life expectancy was 62, thus confirming that even sixty or seventy years ago women were the stronger sex! During the next fifty years, life expectancy for men increased to 72, while for women it increased to 79. By the late 1980s, life expectancies were 73 for males and 80 for females.

What does this mean? It means that if you are born male in Canada and you get old, they bury you, but if you are born female you get old and lonely. Nature knows what is going to happen. Nature knows that, in an aging population, women are going to outnumber men; so to compensate, nature makes sure there are more baby boys born than baby girls. And since we have been pretty successful in reducing infant mortality, most of those baby boys now live. This means that, in the younger age groups, there are more boys than girls around, and that is why guys have to try harder when they are younger! In fact, for every single year of age up to one particular age in Canada, there are more boys than girls; but for every age after that, there are more women than men – and this is why women have to try harder when they get older! I will not tell you what that age is, since I do not want to cause too much euphoria among the men in the audience! As you can see, even relationships have to do with the world of supply and demand that's driven by demographics.

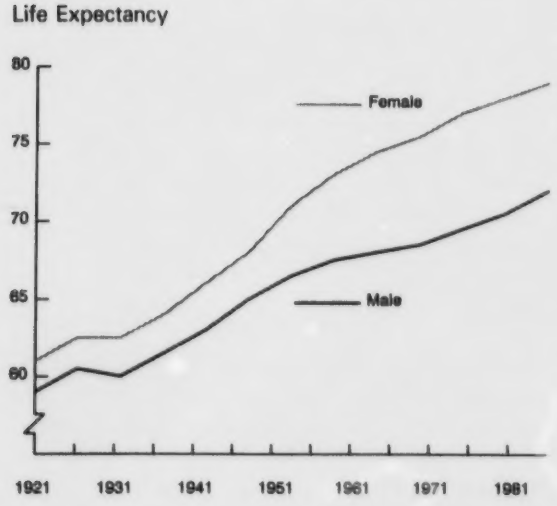

Figure 4

It is now time to look into the future. My vision for the future is going to be based on the past. **Figure 5** shows population growth by age group for the 1970s, '80s and '90s. First, let us review the 1970s (defined as the changes between the 1971 and 1981 population censuses – see Figure 1 for more details). Having reviewed the 1970s, I will then examine the 1980s, and on the basis of that information I will show how you can develop for yourself a vision for the 1990s.

CANADIAN POPULATION GROWTH BY AGE, 1971-2001

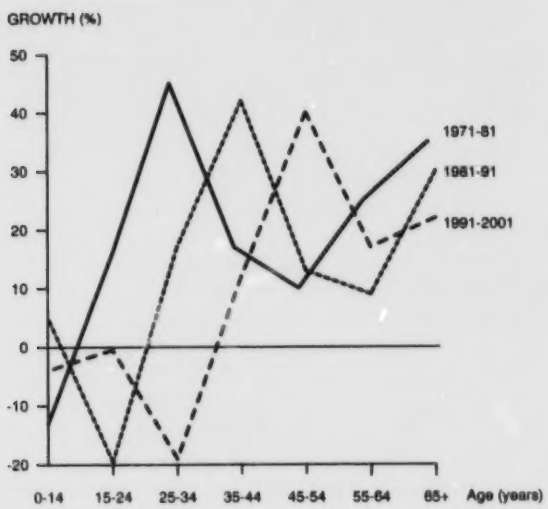

Figure 5 — 1970s, 1980s, 1990s

During the 1970s, if your client groups (target markets or customers) were the young, you were facing a market that was declining by 15 percent. This is the baby bust generation of the 1970s. There were relatively few young people born over this period. There were bankruptcies in the toys-for-children business, and consolidation in the baby food business. If your target customer was youth aged 15 to 24, you were doing better than average – even without any marketing strategy. Even incompetent marketers could get nice bonuses if their products were oriented to youth.

If you happened to be positioned with product lines oriented to the 25-to-34 age group, you were facing a market that was growing by 46 percent. A good example of that is the landlord. People tend to leave home in their mid-20s. In most cities in Canada during the 1970s, did you need a well maintained and well-positioned rental apartment in order to rent it? In Toronto, any basement apartment was snapped up. It was not because landlords had excellent products; rather, it was because their products were aimed at 25-to-34-year-olds – a market growing by 46 percent over the decade. They could not miss out! It should be no surprise that rental vacancy rates plummeted during the 1970s.

Another example of a successful industry in the 1970s can be found in the U.S., where the pet food industry did some demographic analysis. They found that Americans were getting their first cat or dog around age 28. They targeted that market, and the rest is history. Once again, demographics can reveal an important characteristic of a family or household – namely, the presence of pets!

Now, if you happened to have product lines oriented to the 45-to-54 age group (the travel industry is an example), you did not do terribly well during the 1970s. These were the people born in the Depression years, and there are not many of them around. Given our rear-vision mirror approach to strategic planning, we now know that the seniors market was a pretty good market to get into in the 1970s. It was growing by 35 percent. In fact, the demand for seniors' housing started to mushroom during the 1970s, and we were scrambling to satisfy the demand.

Let us move on to the 1980s. What has been going on during the 1980s? If your product lines, client groups or customers were in the young age bracket, you faced a market growing by 5 percent. A growth of 5 percent may not be great, but that market has rebounded 20 percent over the past decade. This is why the franchise is doing so well. This is the baby-boom-echo generation.

Where is the wipe-out market of the 1980s? How long ago was it that we were really worried about youth unemployment being a major national calamity? Now you can find hardly any unemployed youth. That market is declining by 20 percent. Why do you think the beer industry is in trouble? It's because young people are the beer drinkers. I know the rest of us try to make our contribution, but we cannot match the contribution of the young.

And where has the big growth been during the 1980s? It was in the 25-to-44 age groups – the baby boom generation again. Housing has boomed not because you have brilliant housing designs, or because you are well positioned. It is not because you have good marketing strategies. It is because the baby boomers are all in their prime house-buying years! How much longer will it last? Until the mid-1990s, after which there will be a gradual decline in housing demand. Can you work out why?

And what about the early-retirement years? Many big corporations have been looking for early-retirement strategies. The Ontario government had a program called Voluntary Exit Opportunity (V.E.O.). Under V.E.O., they doubled the severance package from one to two weeks for every year of service. It was a successful program. Apparently, more than 12 000 people took advantage of this program, but perhaps 80 percent of them were under the age of 45. What is the point of having a program targeted to the early-retirement age group when there are few people in that age group to retire early?

Now, everyone understands that seniors are where the action is. Everybody is concerned about the growth in the seniors markets, just when the growth is declining. Why is it declining? Who entered that market during the 1980s? Those born in the First World War, and there are few of them around. Also, those born in the early 1920s, and there are quite a few of them still around, but quantitatively it's a so-so group when you average it out. Well, that is history.

What is coming in the 1990s? Well, if you are thinking of buying into a Toys-R-Us franchise, please don't. The number of births is peaking in Canada, and is likely to decline over the 1990s. Think of it this way: a child born at the baby boom's peak, 1960, is now aged 30. If a woman waits until she is 30 to have her first child, then it is probable that she will have a maximum of two children. So most people born during the massive baby boom generation are now entering their lower-fertility years.

Stop and think about what you are currently doing about day-care provision, considering that the demand is likely to diminish. And if you are going to invest in a Toys-R-Us franchise, make sure you grow with your echo children. Instead of having toys for five-year-olds, as you would have in the 1980s, you should now plan to have toys for 15-year- olds in the 1990s!

The youth age group is flat in the 1990s. There will be approximately the same number of youths around in the year 2001 as in 1991. If the retail sector thinks it is going to find more young people to serve in its retail stores, then they have another thing coming. We have got at least a decade-long shortage of young workers during the 1990s. This is the baby bust generation growing up. Why do you think that today's teens cannot find their music on the radio? What is on today's radios? It's all golden oldies! Why do you think the new-rock promoters are having difficulty filling the concert halls? And yet, the Rolling Stones are thinking of going on another tour, and they will do extremely well.

Where is the wipe-out market of the 1990s? Well, if you have a rental condominium it might be wise to get rid of it soon. Who is entering the rental housing market during the 1990s? The baby bust generation, and there are few of them around. Governments are now investing in rental housing. The vacancy rate will start climbing, and it will look like the problem has been solved by the policies.

What about the owner-occupied housing market? The big growth of the 1990s is in the 35-to-54 age groups. This is not the new purchase market; it is more likely the trade-up market or the renovation market. In Canada, people generally buy their first house around age 34. It is a little earlier if you're a DINK (Double Income No Kids). If you are a blue collar or rural worker, it may be 35 or 36.

Given what we know about the baby boom, when will the housing market in Canada peak? 1960 plus 34 equals 1994. All the demographic elements are in place for a little more increase in the demand for owner-occupied housing until the mid-1990s, and then a gradual decline sets in as the new entrants to the owner-occupied market start coming from the back end of the baby boom generation, followed by the baby bust generation. This suggests that the price of housing in real terms will start to decline in the last half of the 1990s, and especially in the first decade of the next century. During the 1990s, the smart construction company will find itself moving away from the rental housing market and the owner-occupied market, and into the renovation and resale market.

What other industries may benefit from this aging effect? Well, I do not think the travel industry knows what's coming. By the time you are 50, the kids are supposed to have left home, you have more disposable income than ever before, and the mortgage is largely paid off.

What do you do with the income? You are likely to travel.

I am glad this conference is not about seniors. It seems that we are all wrapped up in seniors' products for the 1990s. Are you all going to build housing for seniors? I am not sure that this would be a wise strategy; once again, let us do our demographic analysis. My co-author on my last book is a gerontologist, and she gets very mad when I lump together all of the 65-and-over people. She notes, correctly, that this is not a homogeneous population. It is necessary to break it down into its sub-groups. First, there are the young seniors (65 to 74), followed by the mid-seniors (75 to 84), and then the senior seniors (85 and over). The 65-and-over population boomed in the 1970s, thus it is the 75-and-over population that boomed in the 1980s and it will be the 85-and-over population that will be booming in the 1990s. In the 1990s, what we especially need in housing for seniors is nursing homes, and not housing for young seniors. We should be building nursing homes; that is, targeting our seniors housing toward the 80-and-over population.

Immigration, schooling and organizations

Demographers at Statistics Canada (and other agencies) look into the future and note that "fertility can remain where it is, continue to slide, or maybe rebound." Demographers are bad at telling you which of the three they prefer, since there are good reasons and theories for each. But, although demographers provide little guidance as to which option to choose, they are very good at providing you with a potent strategic planning tool. A strategic plan's sensitivity to alternative population projections provides a very useful strategic planning tool. The same sensitivity can be explored with respect to life expectancy, immigration and emigration, and all the components of population growth.

Recent population projections by Statistics Canada assume three alternative fertility-trends, two immigration levels, and one assumption about life expectancy and emigration. With regard to immigration, about 190 000 people came to Canada in 1989, and the Department of Employment and Immigration suggests increased immigration: 250 000 per year. That is good news for your industry. This is substantially above the average of the last 40 years – about 140 000 persons per year.

What happens when fertility, which was on the way down, rebounds and we have higher immigration? Follow the top line on **Figure 6**. As you are probably aware, a straight line on a graph like this indicates declining growth. So even under "optimistic" population assumptions (rebounding fertility and higher immigration), the population growth of Canada continues to slow down. Under more likely scenarios – continuing decline of fertility and lower levels of immigration – the population of Canada follows the lower lines in the figure, which represent even slower growth (and ultimately, population decline).

What do you think the rest of the world thinks about this? In a country as big and rich as Canada, a country with plenty of natural and human resources, a country in which population growth is going to decline in the next 20 to 25 years – I do not think we have yet seen pressures for immigration into this country. A lot of the new young families over the next 20 years are going to be immigrant families. The style of housing that they are going to require may be quite different, I suspect, from some of the housing that is currently being built.

Trends in the Total Population of Canada, 1976 to 2036, According to Four Projections

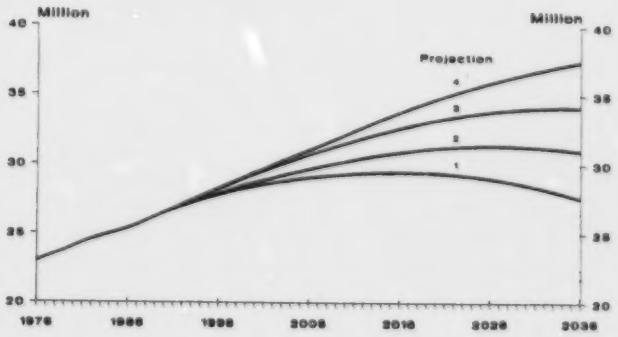

Figure 6 — SC Population Projections

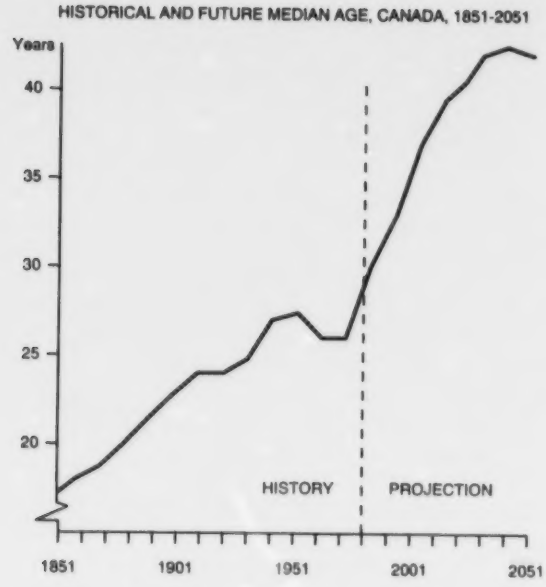

Figure 7 — Average Age

Figure 7 shows the average age of the Canadian population over a 200-year horizon. Note that the average age of the population has been going up for the last 150 years. The biggest baby boom in the developed world only brought the average age down temporarily, around 1960, and now we can see where our population projections suggest we are going. It is not the phenomenon of aging that is new: we have been aging as a nation for the last 150 years. It is the speed of aging that is relatively new. And the reason this speed has picked up is that we are now getting a double whammy – increasing life expectancy is giving us more older people, while decreasing fertility is giving us fewer younger people.

These long-run population projections also permit us to draw a few other relevant conclusions for housing, home building, and community development issues. Back in the early 1960s, since that was the peak of the baby boom, there were lots of preschoolers around. The declining fertility of the 1960s and '70s meant there would be fewer young people around until 1980, when the echo generation started being born. The first echo children born in 1980 entered elementary school at age six in 1986. All during the 1980s, there have been more preschoolers born, so there are more preschoolers around now than during the previous 20 years. This is why day-care is one of our major issues. Yes, it has to do with women working, but it also has to do with the basic numbers. I will not be surprised if we have to wait until the mid-1990s to develop a really sensible day-care policy in Canada, when the number of births is declining! That is the political economy of day-care. If governments had introduced it in the 1980s, it would have cost a lot more than if introduced today.

If you are going to build housing development with day-care centres, I might suggest that you build them in three sections. One side will be the day-care centre; the middle part will be a mixing room; and the other side will be a granny-care centre. Many baby boomers in their forties are finding it necessary to start looking after their mothers, who are in their seventies, and this represents yet another pressure on the family of the sort that Alan Mirabelli was talking about. The responsibility for parents who are aging will now impact ever increasingly on the baby boom generation. Of course, we know that most of the care-givers are female, so yet another pressure on the women in the family environment is emerging. By the end of the 1990s, relieving that pressure will be just as important as relieving the day-care pressure. So why not combine them into one centre? The middle room, meanwhile, is where the grannies look after the grandchildren. They can mix in the middle room and will feel important, and when they can no longer stand the screaming grandchildren, they can return to their quiet area on the side.

Another implication is the construction of elementary schools. At what age do you go to elementary school? Age six. The baby-boom-echo generation started being born in 1980. Therefore, the baby-boom-echo children entered elementary school in 1986. How long has it been since we talked about teacher shortages? The Peterson government in Ontario created a $1.2 billion fund for new elementary school construction. Every housing development now has to have two elementary schools, because both separate and public schools are now publicly funded. In Ottawa, it is necessary to have four elementary schools: francophone and non-francophone, separate and public. I remember asking one of the ministers whether there was extra money in the budget to put plumbing in every classroom, so that we could sell the schools as senior citizen condos in the mid to late 1990s, when we will not be needing them any more!

Population by Age Group and Sex, Canada, 2011

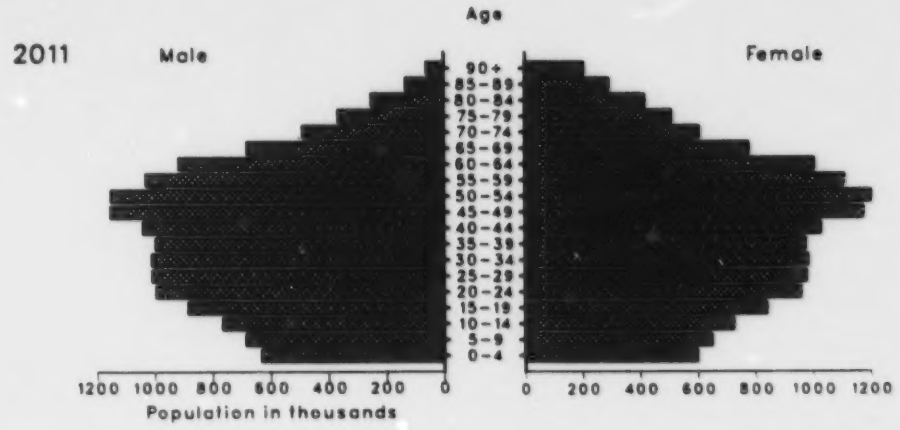

Figure 8

And what about high schools? High school enrolments will continue to decline until 1992. In 1993, the first class of echo children will go to high school. By 1995, there will be a shortage of high school teachers across the country. Remember that you heard it here first!

Finally, I would like to project you into the longer term – the year 2011. **Figure 8.** What does the population pyramid look like then? Have you thought about what it will be like to be a baby boomer heading into middle or senior management, when everyone else wants your job, and there is no one around to manage and do the work? Our organization structures look like pyramids. Have you ever thought what it's like to take a rectangular baby boom and try to promote it up a corporate pyramid? It does not fit. There are no promotional prospects for the baby boomers. This is yet another reason why the family is under stress. The solutions involve spiral career-paths that mix lateral moves and vertical moves, with a consequent emphasis on re-education and re-training. Whether we rise to this challenge remains to be seen.

Epilogue

Hopefully, this diverse and sometimes disjointed tour through Canadian demographic data has provided you with some insights into the past, and especially into the future of the Canadian household. All of these trends result from the inevitable aging of the Canadian population. There are numerous implications emanating from the fact that every year, each person gets one year older. If you have difficulty with this concept, think of the alternative!

FACTORS AFFECTING ACCESS TO AFFORDABLE HOUSING

Tom Alton
President
Bank of Montreal Mortgage Corporation

Housing is critically important to Canada, and its economic impact cannot be overlooked. Expenditures on new housing, and on renovation and repair of the existing stock, amount to $40 billion each year. The continuing strength and stability of the housing industry, and the jobs and investments that depend on it, are important to us all.

But, as we know, the social significance of housing goes well beyond its economic impact. Proper housing enables people to put down roots, to devote themselves to productive employment, and to raise their families in a safe and secure environment. It also allows their children, in time, to put down the same kinds of roots.

The quality of housing that we provide to our citizens says much about our society. In my view, we collectively have a responsibility to ensure that mechanisms and institutions are in place to provide the housing that we need.

Banks, and other financial institutions from the private sector, can make a major contribution to the understanding of this complex and multi-faceted issue. And recognizing this is important, because, if affordability is to be successfully addressed, we must accept that it is part of the entire housing spectrum in Canada. Housing is not only a public policy issue or social welfare issue.

I intend to focus most of my remarks on home ownership. Also, many of my comments apply to the rental market. There is a close relationship between the two, since many of today's renters will become tomorrow's home-owners.

The financial industry plays a central role in housing. Combined, all private sector lenders (including credit unions and caisses populaires) hold nearly all of the $225 billion worth of mortgages outstanding in Canada. Banks and trust companies alone control nearly $150 billion of this residential mortgage market.

To put this in perspective, consider that there was a $30 billion net increase in mortgages in 1989. That's $30 billion of new money. This was almost as great as the total increase in borrowing by all levels of government. Nearly one third of all credit to the private sector is in the form of residential mortgages. And this doesn't count loans to builders and developers for houses that are being built.

We work daily with home builders, developers, realtors and others in the public and private sectors. I think we have a few useful insights to share.

First, despite some obvious problems, Canadians are generally well housed. As statistics show, 90 percent of Canadians are well housed. The mix of ownership, free market-rental, non-profit co-operative housing, and social housing meets most people's needs. As we proceed to develop solutions to the affordability question, those solutions must not compromise a system that serves most Canadians and (as confirmed by continuous polling and research) that most Canadians accept.

Our system is based on choice. Individual consumers can choose from a wide range of housing options, suppliers and lenders. In turn, builders, other housing suppliers, and financial institutions all compete to meet these demands.

Many Canadians say that the market isn't perfect. And they are right. Their concerns revolve around two issues: the availability of ownership or rental at reasonable costs, and financing for those who wish to buy.

Let's start with the costs. Extensive market research tells us that high housing prices and rent levels are only part of the problem. High expectations are another.

Many prospective first-time buyers, including those at the low end of the market, want to buy the sort of homes their parents have today, not the sort their parents started with 30 years ago.

For example, it seems that three quarters of prospective first-time buyers plan to buy a detached single-family home, even though linked homes or condominiums take up less land and are less costly. Consistently, the most important features for these buyers are the lot size and house size. The bigger, the better. And they want to buy a home chiefly as an investment, not to improve the quality of their living spaces.

But, as housing became more expensive over the past few years, particularly in the overheated markets of Toronto and Vancouver, consumers and suppliers had to change their expectations. From 1985 to mid-1989, for example, home prices in Toronto went up an average of 153 percent. Buyers moved farther out, mainly along transportation corridors: to Guelph, Barrie and Oshawa. They shelved unreal expectations of 2500-square-foot starter homes. In Toronto, renters shared apartments and homes, or deferred buying.

Supply, too, adjusted. New starter-home communities were built in the exurbs beyond the suburbs. In Toronto, we saw basement and other auxiliary apartments being created. These were often technically illegal, but were sanctioned by local authorities.

Condominiums came on stream. Although many condominiums were originally geared to the luxury market, rents have now been softened considerably by the continuing over-supply of condos and their owners' need for cash flow.

We are still seeing some imbalance between supply and demand. More people than can be accommodated by the existing housing stock want to live in or near downtown.

The underlying problem is land cost, and the related issue of housing density. The problem can be magnified by red tape and more regulation than is actually needed. Some academics have suggested the use of investment controls, speculation taxes, rent controls and other centrally imposed constraints on land investment. Experience tells us that, in the long term, such measures distort real estate markets, restrain residential development, favour existing tenants over future residents, and create expensive bureaucracies. Effective solutions must be based on more intensive land use.

The second issue of concern to Canadians is financing. High interest rates are a problem, both for home-owners with a mortgage and for tenants whose rent includes the landlord's financing costs. The housing affordability measure developed by CMHC's Market Analysis Division will better quantify the impact of a given level of rates on prospective home buyers. But even without such a measure in place, it is easy to see that high rates are having a substantial negative impact on home ownership by young families.

I, and other bankers, have spoken out in other forums about the relationship between high interest rates, the excess of government spending over revenues, and the public sector borrowing required to finance these deficits. We will not today change the fiscal and monetary policies of the government. But I would like to comment briefly on one issue: the recent suggestion that there should be a separate financial market for financing housing – a market with its own interest rates.

I'll be blunt. I don't think it's workable. The idea of lower and more stable interest rates for housing is an admirable goal, but it is best accomplished by setting our economic house in order. The financial markets are too interrelated for us to try to fix interest rates in only one area.

Though interest rates are high, the availability of funds for home buyers is not a problem. Canadians have the most competitive mortgage market in the world. Lenders actively seek residential lending business. Young families are good business. Mortgages are an integral part of building customer relations. First-time buyers whose business can be pursued for the next 50 years are especially attractive. If we treat these borrowers well, we can stay in contact with them on a regular basis.

Funds are readily available for first-time buyers who have as little as 10 percent down payment. Credit standards are uniform across Canada. With few exceptions, all Canadians, whether they live in large cities or in small towns, have access to the same mortgage loans at standard rates.

I'd like to speak for a moment about how we look at mortgage applications. It's been said that our standards are too tight and that we are too conservative. I don't think this is true. Nobody gains when a lender makes a loan which should not have been made. And when a borrower gets into trouble, we take a loss on those loans. But, for the home-owners and their families, the impact is devastating.

I think back more than a decade to the ill-fated AHOP program, which was intended to help first-time buyers, particularly lower-income buyers. The program, while successful for some

families, had a high degree of failure. The people who paid the real price were not the government officials who devised the program or the lenders who delivered it. The people who paid the price were the home-owners, who were seen in their own eyes and in the eyes of others as failures. That was the human tragedy.

Today, first-time buyers who can carry a mortgage can get the full range of options that are available to all borrowers. They can be approved for a mortgage before they look for a house. They pay the same interest rate as any other home buyer. And, if needed, they get the same amortization periods of up to 25 years or longer. They also get prepayment options to pay off their mortgages more quickly – and I can tell you that they do. Even so-called closed mortgages have a prepayment option. Under the Bank of Montreal's 10-plus-10 option, home-owners can prepay 10 percent of the principal amount each year without penalty. Borrowers have a choice of monthly, semi-monthly, weekly, bi-weekly or weekly payments. Half of our customers take the weekly payment option. Some want to match pay days, as a matter of convenience, but many others want to accelerate their repayment.

What is lacking, however, is information, guidance and assistance in helping prospective first-time buyers through the often complicated and frightening process of buying a home. My bank is currently testing a product in Manitoba called the FirstHome Action Plan. It's a three-pronged program aimed at prospective first-time buyers, many of whom are at the low end of the market. We offer advice on budgeting and financial targets, a disciplined savings plan, and a discount on their mortgage when they buy their first home.

We have found the interest in the FirstHome Action Plan to be gratifying. Researching and putting the plan together were very instructive exercises. We found that the biggest obstacle to first-time home ownership was a complete lack of knowledge about home purchasing, including about the financial aspects and about how to save for a down payment. As a result, many prospective buyers at all income levels felt they could never achieve their dream of home ownership.

The greatest surprise was that people in Winnipeg and Toronto had the same problems concerning how to put together the down payment – despite the fact that, in Toronto, house prices are three times higher than in Winnipeg, where the average house price is $82,000.

We in the private sector are beginning to recognize our responsibility – and the opportunity – to educate our customers. Future competition among mortgage lenders will consequently emphasize information, product features, and efficient service. Price will continue to be an important but not a distinguishing feature. Spreads are already razor thin, and borrowers can and do survey what is offered by all the major lenders.

Borrowers will probably seek even more flexibility. In part, this is because they've developed a taste for playing the yield curve, especially in today's high-rate environment. Today, many first-time buyers take three- or five-year terms. They often have minimum equity cushions and are not prepared to gamble, but by the time their mortgage comes up for renewal, their confidence has increased, and many renewals are for six months or a one-year term. Indeed, at my bank today, 80 percent of our renewal customers are taking six-month or one-year terms.

Let me turn to who I see as the key players involved in housing young families, and their roles and responsibilities.

Government seems to be most effective when it dedicates itself to:

- creating the conditions that allow its citizens' needs to be met;
- compensating for market imperfections that place certain groups, such as the poor, outside of the market. Programs focused on those who need assistance work better than broad-based, expensive and non-targeted schemes, which often do not reach the intended recipients.

I look to government at all levels to create a stable, reasonable fiscal and tax environment that encourages all housing investment. Government must provide the physical infrastructure, such as roads and services. They must streamline their regulatory process, and eliminate bureaucratic impediments that make property development a nightmare. And they must develop efficient and effective programs for those in specific housing need.

We need strong political leadership. People see through euphemisms quickly; "affordable housing" has become a pejorative term. Residents fight it in their neighbourhoods. Many politicians have not actively supported affordable

housing, although I sense a changing attitude to convert NIMBY to YIMBY: Yes, In My Back Yard.

Developers and builders have to create house designs that are less expensive. In November of 1989, the Toronto Fall Home Show featured an affordable dream home based on innovative European concepts. It was contemporary in design, did not stint on important features, and could be built for about $60,000 plus land, a price not seen in Toronto for some time.

Builders certainly recognize the need for more affordable housing. In 1990, the president of the Canadian Home Builders' Association (Gordon Thompson) made a strong call for support in Vancouver.

Financial institutions have responsibilities, too. You will agree, I am sure, that we must deliver mortgages and other financial services effectively and as cheaply as possible to customers across the country. We have to meet our obligations to advise and inform our customers. Our credit standards cannot be so tight as to exclude deserving and credit-worthy borrowers.

The public sector, community groups and the private sector must find more ways to work together. An important step has been taken by ACT: Affordability and Choice Today. The program involves a combined effort by the federal and municipal governments, housing groups and builders to streamline the review and approval process. A complementary approach is to combine the expertise from the public sector, community groups and private sector to achieve specific social-housing goals.

For example, here in Vancouver we have VLC Properties Limited. This is a private sector company whose shareholders come from government, unions and the private sector, including my bank. Its mandate is to build and manage affordable housing on land leased from the City of Vancouver and other sources, as that land becomes available. VLC is designed to show that affordable housing can be delivered by the private sector. We are heartened by the progress it has made.

There is no question that increasing the access to suitable housing for young families is a major challenge. It is critical to meet the challenge head-on. By assuming some very specific responsibilities, we can each play a constructive role. Success requires public and private sector involvement.

FACTORS AFFECTING ACCESS TO AFFORDABLE HOUSING FOR FAMILIES

Barry Gogal
Chairman, Federal Affairs Committee
Canadian Real Estate Association

I find the subject to be a wide-ranging one with many dimensions and even more implications, all of them worthy of our most serious consideration.

A big part of our challenge in addressing this matter is in knowing where to begin.

If we are to construct a housing policy for the future, a policy that covers every rung of the income ladder, we must, with complete candour and a critical eye, with creativity and the courage to change where necessary, be prepared to look where we've been, where we are, and where we're going. So let's begin with some facts about the housing market.

First. Housing markets are highly sensitive to economic conditions. It is thus tempting to kick-start the economy, or to slow it to a grinding halt, through fiscal and monetary policy-instruments that have a major impact on housing.

Second. Housing markets in Canada are either local or regional in nature, and, where home buyers are concerned, show important differences in their demographic characteristics.

Third. Most Canadians who own homes regard their property as the major vehicle for savings, and as their investment for the future. Nobody knows this better than the members of the Canadian Real Estate Association (CREA) who assist buyers and sellers in more than 300 thousand housing transactions every year.

Fourth. In 1957, 68 percent of Canadians owned their own homes. In 1987, the figure was 62 percent – reflecting a decrease that persists today. The imposition of housing-related taxes and regulations is practised by governments at all levels.

Which brings us to the cyclical nature of housing markets. The oft-quoted MacDonald Royal Commission on the Economic Union and Development Prospects of Canada was highly critical of federal housing policies to that date. Of nineteen federal budgets introduced between 1968 and 1984, fourteen either announced new housing programs or revised existing ones. Many of the programs were designed to stimulate the housing industry and, consequently, overall economic demand. Unfortunately, these programs often drove up new housing starts to an unattainable level, followed by damaging slumps in construction and predictable economic results.

MacDonald said that monetary and fiscal policy cannot provide a wholly stable domestic economic environment; they can sometimes add to the instability of the environment. Since 1984, the federal government and various players in the housing industry, including CREA, have agreed that no short-term stimulus programs will be introduced without prior consultation. That, however, has not stopped the provinces and territories, ten of whom have some kind of temporary housing-assistance mechanism in effect. The impact of these programs has yet to be assessed in terms of their real and long-term ability to house families affordably.

Data from the Multiple Listing Service (MLS) show the impact of monetary policy on the resale market.

MLS home sales and prices relative to interest rates

Year	Res. unit sales % change over previous year	Res. av. price % change over previous year	Mortgage int. rate! - Dec. 31
1984	+ 8.1	– 0.3	12.47
1985	+32.5	+ 5.5	11.15
1986	+ 5.8	+17.5	10.75
1987	+ 1.9	+17.4	11.07
1988	+14.0	+18.1	12.09
1989	+ 0.9	+13.6	12.03
1990 (June 30)	–17.0	– 2.4	14.25

From 1984 right through to year-end 1989, we see a relatively stable interest rate pattern, and a relatively healthy sales picture for existing homes. Then we see the first six months of 1990 compared with the same period in 1989, and we understand the impact of high interest rates on market activity, remembering that both resales and new construction are affected by these conditions.

That's not the whole story. The above table also shows that between 1986 and 1989, there was a sizable annual increase in the cost of resale housing, despite stable interest rates. It also shows an annual decline in the increase of unit sales.

Something else is going on that affects affordability. One of these is the introduction of a fiscal policy that fostered an enormous national debt and deficit. In combination with the monetary policy that keeps interest rates high to fight inflation, it has produced the down-side of the all-too-frequent economic cycle. Together with current fiscal and monetary policy, these measures have added to the instability of our environment.

My second point is that housing markets are diverse in nature. The figures that we have just seen apply across the board, not necessarily because we're dealing with the bulk- averages not weighted for population density or regional economic variations. For example, during 1989, Montréal had the highest percentage of first-time buyers in the country. According to the research of a major real estate company, Montréal's average resale house on MLS was priced at $110,000 in 1989. Canada's youngest buyers were found in Regina and Winnipeg. The number of single women who purchased real estate was on the upswing. First-time buyers were more likely to choose a condo than buyers who were more experienced. Of those who did, families preferred the townhouse variety, while singles preferred apartments. Condos were most popular in Vancouver, followed by Ottawa and Toronto.

These data represent the fact that neither markets nor buyers are homogeneous. This means that affordability problems and solutions cannot be lumped into simplistic, general categories.

But perhaps the most important fact for this conference is the decline, between 1987 and 1989, in the numbers of both first-time and second-time home buyers, contrasted with the increase in multi-time buyers. These figures make the point so often missed by policy makers when they address the affordability question. Move-up buyers, and second-time buyers in particular, are an essential part of giving young families access to affordable housing. This is also true of renters moving to home ownership. But I want to deal with the rental situation separately.

My third point is that Canadians who own homes regard their property as a major vehicle for savings and investment. Clearly, savings and investments are expected to appreciate in value over time. Yet, policy makers say house prices must come down. Think about it. Would you want your home to depreciate in value? Would any of us? Ask the Vancouverites who were forced to buy "high" before their market fell apart in 1981. And ask Torontonians, who bought high in 1988. Granted, the market value of a house has little immediate relevance unless one is about to sell. But the common concept of an investment exists for many, and the home represents a sole source of savings for a rainy day. Economic stability would do a great deal to curb the extremes of boom and bust we've seen in the past ten years. Changes in policies related to regulation, taxation, and infrastructure development need to be there as well. So do alternative products.

As I mentioned, there's been a decline in the percentage of Canadians who own their own homes. Most of us in the housing business love to say that Canadians are among the best-housed people in the world. Maybe so, but should we be satisfied with negative growth in home ownership, or with the fact that increasing numbers of Canadians cannot afford homes at all? Which brings me to a fifth point: the multitude of housing taxes and regulations, which are imposed by governments at all levels to artificially induce the rainy day everybody has been saving for. We don't dispute the need for governments to raise revenues; we'd just like to underline the way it's done, and how often it's done to home-owners.

Take Ontario, for example. The province has had a land transfer tax since 1921. It is interesting to note that developers in Ontario will sell land to a builder but not give over title. The title is ultimately given to the new home-buyer, ensuring that the buyer (the consumer) pays the land transfer tax. What's more, every time that home is sold to another buyer,

the new title-holder pays the land transfer tax all over again. It's a classic example of a tax on tax. And just look at the kind of revenue that it produces.

We understand further that legislation passed in December of 1989 in the Ontario Legislature will extend the land transfer tax to unregistered transactions. One effect will be to tax transactions between developers and builders, with the likelihood that home buyers will end up paying the tax twice. Also, Ontario has recently introduced the Development Charges Act, which will permit municipalities to recover up to 100 percent of growth-related capital costs. Members of the Toronto Home Builders' Association believe that cost recovery may come directly from the pockets of new home-buyers. Both major builders' groups in Ontario agree that the Development Charges Act could raise the price of a new house by as much as $10,000, and there is no mechanism in the Act for accountability with regard to revenue spent for educational purposes.

Here in British Columbia, the provincial government announced a property-purchase tax in March of 1987 without any prior consultation among stakeholders in the housing field. It, too, represents tax on tax, because the same property is subject to the tax when it's first built and every time it changes hands thereafter. In Nova Scotia, the provincial government levied a deed transfer tax on house prices over $100,000. Too bad for the people in Halifax and Dartmouth, who are already paying a similar tax of 1.5 percent on all houses at any price.

The need for planning and rationalization is obvious. The National Association of Realtors in Washington, D.C., has undertaken considerable research on real estate transfer taxes, and has outlined the following reasons to not use such taxes.

Real estate transfer taxes are:

- regressive;
- a bigger burden on smaller income;
- discriminatory to real estate;
- an unstable source of revenue;
- a burden per taxpayer greater than a broad-based tax increase that would generate the same revenue.

In addition, such taxes have a direct impact on the cost of home purchase.

And, we have the Goods and Services Tax. I'm sure you've all heard the debates over its impact on the cost of new housing. Many of the debates are based on questions about the accuracy of the GST rebate formula. The GST will also be levied on housing-related services, which will mean extra costs for all home buyers.

When the Canadian Real Estate Association appeared in May of 1990 before the Standing Committee on Consumer and Corporate Affairs, there was grave concern that the GST would be applied on land transfer taxes. Rebates of federal sales taxes for 1991, which exempt new homes completed in 1990, are so short-lived that they will not likely accomplish the government's goal of ensuring that consumers benefit fully from savings achieved by the discontinued federal sales tax.

All these factors enter into the affordability equation. And we haven't even discussed municipal property taxes.

Land costs, according to Vancouver mayor Gord Campbell, are a key factor in the price of housing. You'll get very little argument from Toronto-area builders and realtors, who have identified an extreme shortage of serviced land as the major villain in driving up new-house costs. To boost the availability of non-subsidized affordable housing for those being squeezed by current market prices, Mayor Campbell has urged other levels of government to join Vancouver in making publicly owned land available. The Ontario Home Builders' Association recommended that housing-related tax revenues be targeted back toward the correction of infrastructure deficiencies. Both of these suggestions sound viable.

Speaking of infrastructure, long-term planning and consistent funding are required to ensure that the availability of serviced land can keep pace with periods of high demand. The ability to house affordably also depends on flexible zoning policies and reduced time-frames for land development and approval – in short, on untangling the regulatory process. Statistics show that labour and material costs in the 1980s are responsible for the huge escalation in

house prices recently experienced by some markets (See **Figures 1 and 2**). Why, then, do some major cities witness the continued construction of large, expensive homes on big lots? This can hardly be an attempt to deal with affordability.

AVERAGE PROFIT MARGINS OF HOMEBUILDERS* CANADA

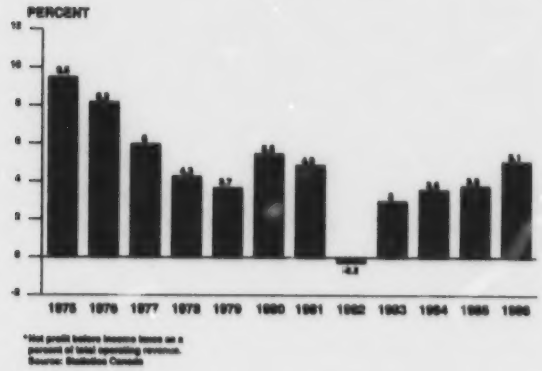

Figure 1

RESIDENTIAL CONSTRUCTION COSTS CANADA

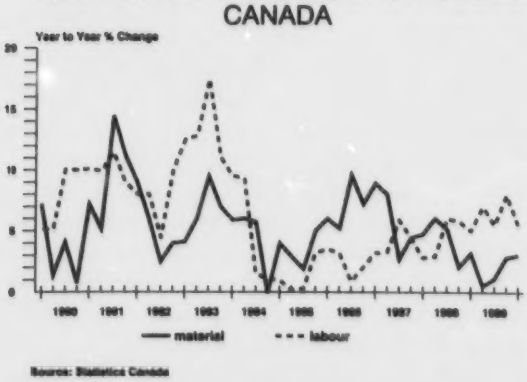

Figure 2

We have to remember that high land-costs prohibit smaller, less costly homes. We have to look again at lengthy approval processes and restrictive zoning. We also have to examine the attitude that neighbourhoods have toward moderate-cost housing options in their midst. Despite the positive public-relations efforts of many non-profit housing groups, and despite an apparent absence of proof that social housing projects devalue adjacent market housing, the NIMBY syndrome prevails.

Another factor in achieving affordability for young families is the expectation of potential buyers. Is it realistic that the recently formed household should expect to start where the previous generation left off?

Let's now turn our attention to affordable rental accommodation. Members of my association have lobbied long and hard to give tenants a break, a break achieved by putting rental construction on a level playing-field with respect to tax and other forms of investment. Judging by what the federal government proposed for rental construction under the GST, policy makers still don't have the message. Under the GST, long-term residential rents are earmarked for an exemption. This means that landlords will not be entitled to recover any tax paid on the purchase, repair or improvement of residential buildings. It is reasonable to assume that these costs will be passed along to the tenants, slowed only in some provinces by the limitation on increases that's imposed by some rent controls. While the sale of existing rental properties will also be GST-exempt, the sale of new rental properties will be fully subject to the tax. There's no offsetting rebate where development is undertaken by the private sector, as there is with new homes built for ownership. Coupled with the inability of rental landlords to benefit from tax credits and the provision of their services, this factor will create a prejudice against the construction of residential rental accommodation, thereby worsening the situation in markets where the demand already exceeds supply – and thereby putting pressure on markets where the rental situation is currently reasonably healthy.

It is our opinion that a GST rebate on new rental construction would go a long way toward balancing the equation. We suggest that the rebate formula be applied to multiple residential units using the same thresholds established for new single-family units.

In 1987, honouring the International Year of Shelter, CMHC and the Canadian Real Estate Association co-sponsored a symposium on housing the homeless and poor. The symposium's report (which has been published) helps to identify an enhanced role for the private sector in dealing with affordability

problems. As a follow-up, CREA co-sponsored the Third International Shelter Conference in Washington during April of 1990. The private sector, formal and informal, was identified as a key player. These themes emerged:

1. If all needs are to be served, individual housing needs must be linked to national economic policy.
2. National housing policy and national economic policy must be developed together, because housing is a powerful agent of economic growth, a major part of the financial sector, and a vehicle for resource mobilization.
3. National policies must create a regulatory framework that is conducive to placing the private sector in the primary role.
4. If the private sector is to respond on all rungs of the housing-needs ladder, housing finance mechanisms must be appropriate.
5. If all are to be housed, efficient land markets are essential.

The seminar emphasized the special role of NGO groups (the informal private sector) in identifying needs and delivering programs at the grassroots level. There was continued reinforcement of the need to mobilize the expertise and resources of private enterprise.

Winston Churchill once said that some people regard private enterprise as a predatory tiger to be shot; others look on it as a cow to be milked; and not enough people see it as a healthy horse pulling a sturdy wagon.

FACTORS AFFECTING ACCESS TO AFFORDABLE HOUSING FOR FAMILIES

David Hulchanski
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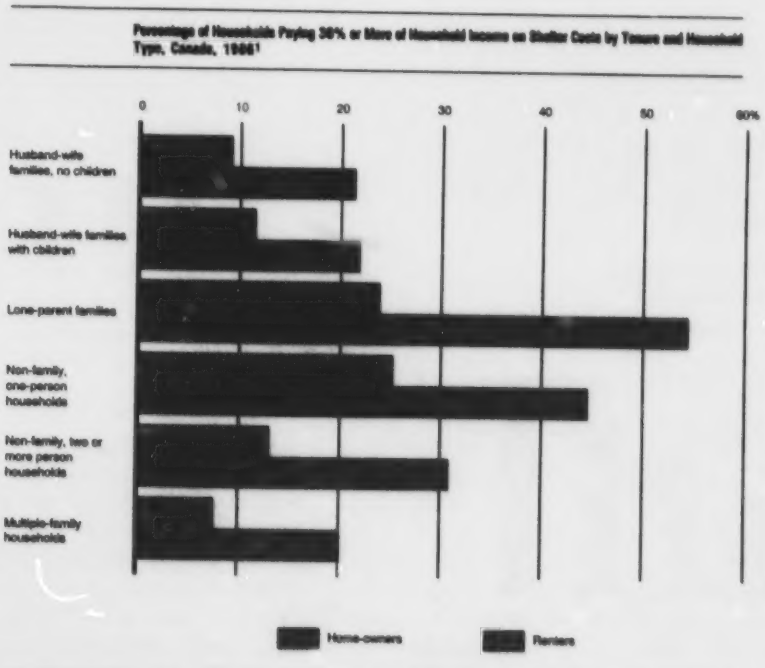
The problem I want to examine is the gradual decrease in accessibility to affordable housing for a significant percentage of Canadians.

I fear that, all too often, we focus on the easy part of the problem, which is how to give the middle-income group a little boost to become home-owners. What worries me is the trend that is evident in the statistics of the last 20 years, a trend that seems entrenched with no evidence of a possible reversal. A few graphs will illustrate what I mean. These graphs depict the problem from the perspective of family income.

Figure 1 shows home-owners and renters by family type. We can ask, "What family types have housing affordability problems, using the definition of 30 percent of income?" (This definition, though very simple, is adequate for the moment.) The graph tells who has an affordability problem, and how severe it is. Single-parent, single-father and other one-person households have a serious problem, which points to the importance of having two incomes today. That was not the case in the 1950s.

Renters also have an affordability problem,



[1]Total owner- and tenant occupied non-farm, non-reserve dwellings showing the number of households paying 30% or more of their income (excluding loss and zero income) on shelter costs, by household type, for Canada, 1986.

Source: 1986 Census, special tabulations.

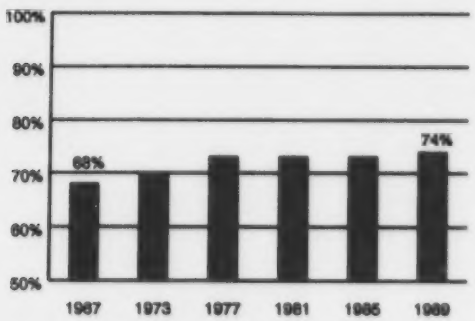
Figure 1

and it is greater than that of the home-owners.

According to **Figure 2**, home ownership among single-family households increased between 1967 and 1977, but has since levelled off at 74 percent. It seems an admirable achievement.

But, when you take apart this 74 percent by income quintile, you can see the source of my worry and why I believe there is a problem.

Trend in Home-ownership for
Single-family Households,
1967 to 1989

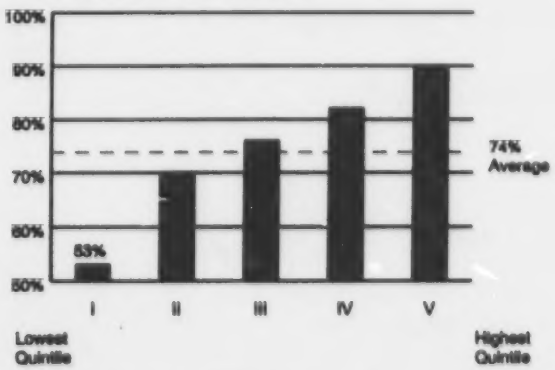


Source: Statistics Canada, *Household Facilities by Income and Other Characteristics*, 1983, 1990

Figure 2

Figure 3 shows a distribution of home ownership by quintile that is almost predictable. Seeing that even at the lowest quintile 50 percent of single-family households own their homes, the situation would not seem problematic. So far, all the graphs show, in effect, what could be the easy part of the problem.

Home-ownership by Income Quintiles
for Single-family Households, 1989



Source: Statistics Canada, *Household Facilities by Income and Other Characteristics*, 1990

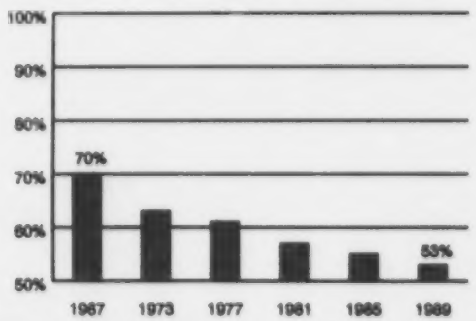
Figure 3

We don't need to worry much about most home-owners compared with many renters. In urban areas, it's the owned house that is most desirable to most families.

But, when we look at this 53 percent by taking apart the lowest income quintile, we now see a trend. From 1967 to 1989, this fifth quintile dropped from 70 percent ownership to 53 percent (**Figure 4**). That's about a 17 percent drop in two decades – a very significant change in such a short time.

But how can 50 percent (let alone 70 percent) of the lowest income quintile households afford to own a house? It is even more surprising to know that the majority have their mortgages paid up, whereas the higher income quintiles do not. This apparent paradox can be explained easily: these households are made up mostly of old people, they are single-family households with the children at home or gone, and these households have joined the ranks of the poor because, as soon as one of the partners dies, there is a

Trend in Home-ownership for
Single-family Households, in the
Lowest Income Quintile, 1967 to 1989



Source: Statistics Canada, *Household Facilities by Income and Other Characteristics*, 1983, 1990

Figure 4

dramatic drop in income. Seniors most often count among the poor, and that is why we get that high number of home ownership in the lowest income groups.

So, because one partner had died, our older people who bought their houses in the 1930s and '40s are entering the ranks of single-person households. That's why the 74 percent home-ownership figure is deceiving. Even the 53 percent is deceiving, because the data do not differentiate young families. Once the elderly are removed from the data, a strong trend is evident.

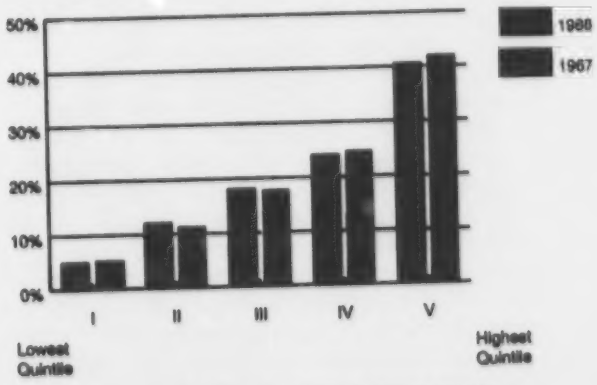
This trend shows that the first and second quintiles (the bottom 40 percent of our population) are, increasingly, renters. They cannot afford to be home-owners. This trend is going to continue quite dramatically as the older people who are home-owners die off. We are becoming a society where wealthy people are home-owners, and the not-so-wealthy and the poor are not. For demographic and economic reasons, it was not always this way, especially during the prosperity of the 1950s.

Here, then, is the tough part of the problem: the bottom 40 percent of the population, the two lowest income quintiles. It is correct to say that only 10 percent of all households have an affordability problem, but it's also not quite fair – because it is changing, and the trend is not very positive.

Other statistics indicate the same trend. They focus on the single-family household, and they paint a grim picture. If they were to include all households, that picture would be even more unsettling.

Figure 5 includes the one-person, one-income households. In housing terms, they are in bad straits, as we have seen. This chart shows what happened to the single-family household income between 1967 and 1988. There is no improvement at the bottom. In fact, they are slightly worse off by a fraction for the first quintile, and noticeably worse off for the next two incomes. This is the impact of the 1980s, when incomes did not keep up with inflation.

Share of Total National Income,
Single-family Households, 1967 to 1988



Source: Statistics Canada, *Household Facilities by Income and Other Characteristics, 1988, 1990*

Figure 5

All of that is showing up in these last 20 years – not that long a time for something so dramatic to show up.

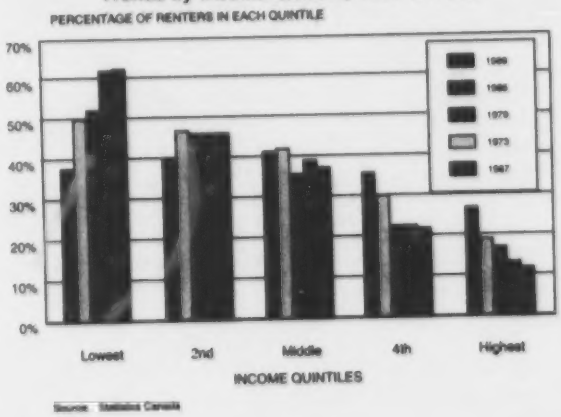
Here's the tough part of the problem. Whether they are family households, young-family households, older-family households in the future, or just single-person households, how can these people ever afford to buy a house in our housing markets?

We tend as a nation to be concentrated in three metropolitan areas. About 76 percent of Canada's population is urban. And it is in these urban areas that housing costs are the greatest. That is why I add the issue of geography to the demographic projections.

Figure 6 shows how dramatically we are sorting ourselves out by income and tenure. Still taking the same quintiles and starting in 1967, 27 percent of the highest income group were renters in 1967; it is about 13 percent in 1988.

Renter Households in Canada

Trends by Income Quintile, 1967 to 1989



Source: Statistics Canada

Figure 6

Same evolution for the fourth quintile. But look at the bottom income quintile. From 37 percent renters to 63 percent – a dramatic increase of 26 percent. That difference is basically due to the senior citizens dying off and the young people being unable to afford housing. If you are poor and young, you stay that way for much of your life; you are not a home-owner, you are a renter.

Another factor contributed to this dramatic shift. Between 1967 and 1973, we introduced legislation making condominiums possible in Canada. Up to that point, because only rental apartments were available at the locations they wanted, some wealthy people had rented. Now

they can own that apartment as a condominium. A new tenure choice made more home-owners of the fifth quintile, but did not help the bottom quintiles. In fact, many rental properties were converted to condominiums that were priced beyond the reach of those who had previously occupied them.

By either staying the same or going down, are housing costs going to change dramatically? Can we see that? Are we working on that? Are incomes for the bottom 20 or 40 percent of families or households going to change dramatically? Will there be some improvement in income distribution? Are federal and provincial social-housing programs going to expand dramatically in the climate that we see here?

If not one of these things changes, what are we going to do? I don't have the full answer to this question. I just have a general comment.

Most people talk about the two sectors of society. When I read economics texts written by conservative, Marxist or left-wing economists, they say the same thing. There is the government and there is the private sector. To some people, the government is good and action is good. To some people, the private sector is good and the government is bad. Society, we all know, is composed of three sectors. There are also the large and growing community-based organizations, non-profit groups. And the answer lies in these organizations, because of the different housing needs for different kinds of families. It is not one kind of young family we are talking about; there are all sorts of different kinds: urban and rural, some with disabilities, and so on. There are all kinds of combinations. Who knows what's best for each? There is more and more expertise in the community-based sector. Well, we are the resources in society. Almost 100 percent of the resources are shared by government and the private sector. Through taxing, the government collects and distributes about one third of the GNP. And the other two thirds is allocated, used and invested in various ways by private corporations.

I say there needs to be a mix of these three sectors, working together much more than in the past. Government needs to do more. Remember, when you say the government needs to do more, who is the government, ultimately? We are. But the Canadian population, so far, does not really place housing too high on the agenda. Housing receives about 1.3 percent of the federal budget each year, at least in recent years. The housing category in the budget is relatively small in Canada. So I want to cite what the private sector can do. There is quite an exciting tenure history unfolding in the United States, a history of what the private sector has been doing in response to some of these problems. (I have not yet seen this in Canada.) I will cite two examples.

Many of you have probably not heard of the Enterprise Foundation. But, if you've worked for non-profit groups or in housing in any way, you would know of the Enterprise Foundation. It was established in 1982 by developer James Rouse. It provides grants, loans and technical assistance to community-based development organizations. More than 100 groups in 30 cities have received assistance. More than 5000 units have been renovated, and another 3600 are under redevelopment right now.

A second example is something called the Local Initiative Support Corporation. Again, it's very well known in housing circles in the United States. It is a private sector activity established in 1979. It went out to the private sector, raised $250 million in capital, and then levered this into about $1 billion worth of investments in affordable housing projects that are managed by community-based groups around the United States. Some 17 000 units of affordable housing have been assisted by this one initiative.

When I say assisted, it does not mean they fully subsidize them. No, they help make them possible. The motto in the United States for non-profit housing, which is still very underdeveloped and is being developed right now, is that a non-profit society will get funding from a number of different sources. Yes, government; but there's also private sector money available to them.

A recent book examined what is happening in American community-based affordable housing industries, and the private sector's role in them. The private sector's support in the United States is "enough to rank corporations in third place among investors in community development, behind government and private foundations and charities."

The solution is to recognize that there are three sectors. Each has different know-how. The private sector has a lot of experience and entrepreneur ship. If this was applied in the U.S., more would happen. What is happening in the U.S. isn't solving the problem. I think they have an even worse problem than we do. But first we have to tackle the tough part of the problem, not the easy part. The easy part is those middle-income people who need a little boost to become home-owners. The tough part, one we must try to deal with, is recognizing that there's a more serious problem that's been with us for a long time.

HOW THE REGULATORY ENVIRONMENT AFFECTS THE PRODUCTION OF AFFORDABLE HOUSING

Carole Taylor
Alderman
City of Vancouver

The question of how you make a country or a city or a community work is a vital one, and these problems are going to become increasingly difficult to cope with. And, of course, housing is right at the top of the list. How are we going to deal with that? How are we going to keep housing compassionate in our cities when we have all these other stresses around us?

I'm going to talk briefly about the problems of regulation and housing from the politicians' point of view. But I would also like to step out and take a broader, more objective look at this topic in terms of how we might solve the problem of regulation.

I was asked to look not only at social housing, but also at all of the city's housing issues and at how we are affecting affordability. I admit that we are making it very difficult. There is no question that every time we step into the area of regulation, we are affecting affordability. Time and again, I could point to examples, and my opponents will point to examples where we are increasing the cost of housing at a time when we are all concerned about affordable housing. I will go through some of the areas of regulations, and will try to explain what's going on in my head when I deal with them, why some of them are there, and maybe why some of them should be changed.

The prime area of regulation that has concerned the Canadian Home Builders' Association is the question of safety and sprinklers. I'm assuming people are here from across Canada, but my experience involves only Vancouver. Safety has many parameters: the height of your ceilings, the kind of plaster you're using, the location of doors, windows. That's what our building code is all about – safety issues.

A new issue came forward in Vancouver in the late 1980s: sprinklers. The very strong suggestion from our fire department, one supported by all our staff, was that we would have to look at sprinklers as a better solution to the question of safety in houses, rather than continuing to complicate the Building Code. They put forward their arguments, initially looking at apartment buildings.

We worked through the process, and went through more public debates and received lots of briefs from every organization. In the end, we felt that we should also be looking at single-family houses.

Examples of similar regulations can be drawn from across North America, where many cities are not only requiring sprinklers, but are installing them retroactively. The conclusion in the fire safety community is that this is what's going to happen down the road. They are encouraging municipal regulators to do it now, because retrofit is much more expensive. We're talking about 15 or 20 years from now. That's when the payoff occurs. Of course, the real trick is to get politicians to listen to you. If you say the payoff is 15 or 20 years from now, it's not much fun taking the abuse about your decision now. People work with very short time spans, and politicians are certainly among them. We went through the debate, and we're convinced by the arguments presented that this is a move we should make.

There are various estimates of the cost, but our staff puts it at between $2,000 and $3,000 per single-family house that is priced on the market for $300,000 to $400,000. I'm not going to argue that the cost isn't there – the cost is there. But when you come to safety issues, it is the one area that I feel most comfortable about. While these regulations increase the cost of housing, they have to be implemented, and the costs must somehow be absorbed. There are other areas that I feel less comfortable about regulating, but not when it comes to safety.

There are other guidelines that I know also cost people extra in terms of affordability. I'll point to our guidelines for high-density living.

By requiring that the developer provide more than just a roof over people's heads, the City of Vancouver has done a very good job of bringing forth guidelines that ensure a good living environment for children in high-density areas. For example, the guidelines require that a parent in the house must be able to have eye contact with the child who is playing. Now, the way that was initially interpreted was that the building would have to be low-rise, because one can't be on the 18th floor watching one's child down in the park and really expect that there's any kind of safety for the child. Most of the developments that were being built according to these guidelines were low-rise developments. This made each unit more expensive. But we passed the regulation, because we felt it was the right thing to do.

These guidelines are evolving. Our most recent set of guidelines says the eye contact is what's important. We had assumed that this means only low-rise buildings could be built. But you can build a highrise building if you have spaces intermittently that allow children to play, provided the spaces are somewhat protected. In this way, parents can still feel comfortable that they are pretty close to their children. (Once the child is eight or ten years old, our guidelines don't apply.) You can design your building to include such spaces at various levels or on each floor. In this way, the environment starts to work.

Some of the most innovative designs are coming from our social housing people, because they are often designing specifically for families. They are trying to do the best job and create the best environment for those families. They see our guidelines. They're not comfortable with the guidelines; they have to donate extra space, whether it is this outside space or space on each floor, but either way the building will cost more. Certainly it will cost more, but the ideas that are coming forward are worthwhile.

Those guidelines for children are important. When we talk about building housing for people, it's not just any housing that we want to build; we want to build decent, good environments, especially for our children.

You have to excuse me if I keep coming back to children. But I think that if a building works for children, then it will work for all of us. If the environment we're creating, even if it's in the middle of our downtown area, is going to work for our kids, then I am quite certain that it will be a good community for everyone.

Design is the area that poses more problems for the community, for the politicians, and for those who care about affordable housing. Communities are coming forward and demanding extra design guidelines in their neighbourhoods.

Landscaping is a major concern in Vancouver. Although we've had some recent amendments to the regulations, we do not yet have the power to prevent someone from cutting down a tree. We now have a new chartered amendment that actually allows us to require the replacement of trees. That will lead to some form of by-law, which has not yet been through the public process, but that will in certain circumstances specify how a property must be landscaped. Well, we all know that such a by-law will increase the cost of housing units.

We are also finding that many communities want us to set up either design panels or design guidelines. Once again, whether it's the right thing or the wrong thing to do, I have to admit that it will result in increased cost. Every step you take away from outright use introduces extra cost. There is no question about that. As a politician, how do you provide housing in your city for the people that you want to live there, for the broad spectrum of humanity – all the ages, races, economic classes? To do that, you've got to be careful about guidelines that stipulate how a house looks.

For instance, there's an area of our city that may be going in that direction now. It is the most beautiful area in Vancouver: Shaunessy, Shaunessy II, Shaunessy III. I think that these communities accept the fact that, if you set up a process requiring more planning staff, regulations or time, some of the associated costs will be absorbed by the neighbourhood itself. You would not ask East Vancouver to pay extra costs (through their taxes) to make sure that this particular area of Vancouver is really nice, quiet and beautiful; but if the community itself comes forward and requests a design panel, then many of the citizens are obviously willing to pay for it.

These are some of the negative aspects of regulations. But there are positive aspects as well.

At the moment, because of some of the attempts we've made to try and get at the issue of affordable housing, builders and developers are not very happy with us.

For instance, there are several areas of Vancouver where we are telling builders that, if they want to build in a medium-density zone, they must do a few things for us, go through a few hoops. One of the hoops is to provide a certain number of affordable units. Our lawyers are going crazy trying to figure out how to do this for the long term, how to write the covenant, how to put it in place. Even if the developer wants to, even if the City wants to, there are certain technicalities that we haven't yet worked through the system. It's for the life of the building, not for five years, that a certain number of the units will be affordable, their rents tied to inflation. It means that within that building you'll have a mix of housing. That's a regulation that works in favour of affordable housing.

Another area in which regulations have been used during the past few months is in Carsdale, another medium-density zone. The area is devoted almost exclusively to three-storey walk-ups. It has always been possible to build a mid-rise within that zone, but the economics have favoured three-storey walk-ups, so they are what was built. When we went through this boom in the late 1980s, people looked at their properties and found that it paid them to tear down this perfectly good three-storey walk-up and build a medium-rise building. Even though that's an old zoning schedule, it came as a bit of a shock when it happened in great numbers. The politicians tried to backpedal to figure out how they could recognize people's right to build on their property according to a zoning schedule, while keeping affordable housing in this city. It's very easy to have a city with a great deal of expensive housing and some very cheap, low-income housing. It's achieving that tricky, affordable, middle mix that is a feat.

So, to one of the medium-density developers who was about to tear down three walk-ups, our staff said, "If you leave one of them and upgrade it, if you keep it as affordable housing, then we will let you take all of the density that you would have been able to build on that site and still build it on that site." The result was a much denser site, but the City saved one of the buildings for affordable housing.

I don't know what other cities do, but Vancouver has a policy of subsidizing land for social housing. It's a long-standing policy. Because Vancouver is so expensive compared with Prince George or some other municipality that might be buying land for the same social housing units, we write down the value of the land by 25 percent. Also, we have given grants to these organizations to help get them into the Maximum Unit Price (MUP) subsidized housing. In Vancouver, we cannot meet these MUPs; they must be increased.

So we're creating all of these hoops. We subsidize the land; we give them an outright grant to get them down to the MUP value. But we're not building nearly enough affordable units. One of our problems is that the City of Vancouver has passed a resolution saying that we will subsidize 1000 units per year for the next ten years. We'll do it. We'll absorb the costs because we think it's essential to get more social housing into our city. Unfortunately, we're not getting the units. In 1989, we received a couple of hundred units; the year before, even fewer. A number of years ago, we received up to 900 units a year. But until we can convince the federal government, CMHC and the provincial government to be partners with us and provide us with the units, we can't get them built. You can have the best of intentions at one level, but unless you have the other levels of government working with you and supporting you in your initiatives, you can't get anything done. We received 294 units in 1989, and we're ready to subsidize 1000. It's such an unfortunate waste, because we'll have to play catch-up five or ten years down the road, trying to keep that balance of affordable and expensive housing in the city.

In terms of regulations, everything I've talked about is of minor importance for affordability, whether it's safety or design guidelines. The important factor is density. Until we provide more land and more supply, you're not going to get affordable housing in the city. The pressures for growth are enormous. The number of people who want to live in Vancouver, whether I want them to or not, is huge. It will simply drive up your prices until you can bump up that supply. To do that, in my opinion, you must have an overall plan that identifies areas where you can do it – industrial properties and other areas where you can put in significant density. The City should decide where it is going to go. The developers and builders will quickly follow, if the land is available. But without an overall Vancouver plan, they are coming up one by one and they're getting lost. In the political climate of Vancouver (and elsewhere, I suspect) you're not going to get anything through these days, because of neighbourhood opposition – unless you're doing

it at a different level. And the only way I can see – and I can't guarantee that it would work – is to take the time and deal with it on a theoretical level.

Let's say that we have identified these spots around the city where we support extra density. We then re-zone them and get the units built. If you do it any other way, the lobbyists and neighbourhoods will fight you every step of the way. We have lost all kinds of opportunities to build affordable housing in the short time that I have been here.

The two solutions that I see are as follows. First, the federal and provincial governments should provide more units for municipalities that really want to do this. Second, the City should change zoning schedules so that we have more supply possibilities out there. In terms of regulation and its relationship to affordable housing, those are the main issues that would help the situation dramatically.

HOUSING AND THE REGULATORY ENVIRONMENT

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I will try to look at the current regulatory environment as it relates to housing affordability. Such an assignment implies that we can agree upon some definitions (such as of "affordability" and "regulation"), and upon some market process that permits us to trace regulation's impact on housing prices.

We needn't dwell upon the definition of affordability, since it will be discussed elsewhere; but it should be noted that any usable definition of affordability must relate to housing of prescribed characteristics, and these characteristics must reflect society's current view of what constitutes an acceptable minimum of housing. The minimum standard that is prescribed at any point in time will obviously affect affordability. Moreover, some people, particularly those with limited resources, would probably choose to buy less housing than society feels is an appropriate minimum.

What is regulation?

In its broadest sense, regulation can be defined as any activity from outside the market that influences market behaviour (Mitnick 1980). The definition used by the Economic Council of Canada is: "The imposition of rules by a government, backed by the use of penalties or subsidies, that are intended specifically to modify economic behaviour of individuals or firms in the private market."

Using this definition, regulations that depend upon penalties may be viewed as non-voluntary, in that private-market participants must either adhere to the regulations or suffer the consequences. Regulations backed by subsidies can be viewed as voluntary, in that they become effective only if the private-market participant elects to participate. In either case, the regulations fall outside the private market's operations.

With respect to this definition, several important points should be noted. First, the definition requires that the regulations be intended to modify economic behaviour. In this context, the economic behaviour that may be modified could include supply, demand, price and quality. In each area, some examples can be found of such government regulations with respect to real property: (a) supply (incentives to builders, restrictions on demolitions, restrictions on the number of new subdivisions); (b) demand (subsidized mortgages, income tax provisions regarding principal residence); (c) price (rent regulations); (d) quality (health standards, building codes, quality of maintenance). In some cases, the regulation may influence two or more aspects of behaviour. For example, rent regulation, designed primarily to influence price (rents), will also influence supply, demand, and, in the long run, quality.

Second, the economic regulation must be intentional. In the case of land or buildings, this may include intentional secondary impacts in other areas – impacts that may or may not be intentional. In either case, it is important that these secondary impacts be captured in the analysis of economic regulation's impact.

The final element in the definition is that, if economic regulations are to be effective, they must be *backed by the use of penalties or subsidies.*

In passing, it should be noted that the definition indicates that the activities are aimed at the *private market.* In fact, there are numerous examples in which one area of government attempts to modify the behaviour of another level of government.

Why regulate?

Government intervention (such as regulations) generally occurs when the private market is

thought to have failed. This means that the market is not producing the desired income distribution (the "equity" issues), or that the market is not working efficiently. Market inefficiencies, as they relate to real-property markets, generally arise from two sources: "externalities" and public goods.

It should be noted that although these "market failures" give rise to opportunities for government intervention, it is not always clear that such intervention will actually improve the situation. Moreover, it is not clear that any one of the several forms of intervention available to a government will be effective.

The "tool kit": alternative forms of public intervention

Governments tend to use a variety of intervention instruments at any one time. In some cases, the range of instruments is restricted by a division of powers between levels of government, or by delegation from the province to local governments. But within these limits, each level of government has the option of substituting one instrument for another. Therefore, it is important to understand the range of instruments available to each level of government, the limits on this range, and the extent to which governments may elect to substitute one instrument for another.

There are five categories of government policy instruments, other than those included under the government's definition of economic regulation. These include: (a) moral suasion (speeches, reports, threats – that is, immoral suasion); (b) direct expenditure (including grants, subsidies, transfers); (c) taxation (direct or indirect); (d) tax expenditures (reliefs and exemptions); and (e) direct government ownership. To a large extent, the first four categories fall within the definition of economic regulation, while the last instrument (government ownership) is a *substitute* for economic regulation.

Frequently, the available instruments are substituted one for another, either because of their technical (efficiency) characteristics or because of their political attractiveness. In some cases, the limits on the authority of a government area may necessitate the use of particular instruments. In any case, the complete range of instruments should be recognized.

Opportunities for regulation in real-property markets: the timing issue

At some level of abstraction, it is possible to identify three broad stages in which the regulation of real property occurs: (1) production stage; (2) distribution and merchandising stage; and (3) consumption stage. In most markets, and for most products, a brief explanation of the regulations' nature is generally sufficient to describe the particular market that is being regulated. For example, a description of regulations relating to the aeronautical industry would immediately suggest whether it was the airline (travel service) industry or the airplane construction (capital asset) industry that is under discussion. Since the participants involved in producing the service (travel) are seldom the same as those in the production of capital assets (airplanes), it is unlikely that any confusion will arise.

In the case of real-property regulation, a greater degree of confusion is possible, since there are three closely related goods: the bare site or lot (a capital asset); the developed property (a capital asset); and housing services (accommodation), which frequently involve the same market participants at two or more points in time. Consequently, it is often possible that *one* regulation is designed to simultaneously regulate participants involved in the production, merchandising and consumption of lots, developed property or shelter.

Traditionally, with the exception of some forms of taxation, the regulation of real property has generally focused on situations where private landholders attempt to make changes, to either the legal or physical conditions of their interests in real property. Moreover, the regulations, once applied, tend to be both passive and restrictive, being applied only when the property owner *desires to initiate* certain changes in the condition of the property or its ownership.

a) *Subdivision of land (change in legal description)*

The subdivision of land is defined as being the process of dividing a legal parcel of land into two or more separate, legal parcels of land – or, more precisely, dividing one fee-simple interest into two or more fee-simple estates. The traditional concerns raised by the regulating agencies at this stage are to ensure "adequate services" and "adequate sizes," and to avoid "premature development." Obviously, if the

regulations are binding, they imply a higher standard than would otherwise be provided by the private sector.

Initially, the capital and operating costs for the major services were borne directly by the municipality. Gradually, the costs involved in the subdivision process have shifted from the municipality to the developer. Initially, the shift was limited to "on-site" costs for services (e.g. services contained within the property being subdivided). Eventually, the shift included both on-site and off-site costs, and now includes contributions for an ever-increasing range of expenditures, both capital costs and operating costs – to the point that, in some cases, the costs are equivalent to an "entry fee."

b) *Development (change in the use of land)*

The term "development" is used in this context to describe either the process of applying man-made improvements to a vacant site, or of re-zoning a site to permit a change in the use of land. This separation of development and subdivision processes is becoming more arbitrary, as subdivision regulation extends to include a greater commitment of capital for services.

Development regulations generally become effective when some physical change to the land occurs, in the form of either initial development or redevelopment. Regulation of development generally takes the form of a "zoning or development by-law." These by-laws generally prescribe the permitted uses for each parcel of land. They also prescribe the allowable density for each parcel of land (in the form of minimum building sizes or limits on the number of families per unit); building bulk (in the form of side-yard requirements, setbacks from front and rear roads, height limitations and site coverage); off-street parking requirements; and, on occasion, landscaping and design standards.

While these requirements exist at all times, they affect the market only when the private landowner elects to undertake development. Hence, the controls are both passive and negative.

c) *Building construction*

The common practice is to treat the regulation of building construction (in the form of building codes, electrical codes, and plumbing codes, all of which relate to structural requirements) as a distinct area of government regulation separate from development controls. One suspects that the reason for keeping construction codes separate is that these regulations tend to be technical in detail and less obvious to the untrained eye. Moreover, building codes tend to be individually less significant (but collectively quite expensive).

The regulation of construction – whether new construction or renovation of existing units – represents one of the oldest areas of government regulation with respect to real property. It should be noted, however, that building code regulations do not generally apply to the existing stock. Consequently, this form of regulation is effective only when the private landowner elects to undertake some form of new construction or renovation.

d) *Transfer of interests in land (change of ownership)*

The final form of change that gives rise to regulation relates to a change in ownership rights. This may involve either a transfer of an entire interest and land, or the creation of a new interest in land which is then transferred. Some of the oldest forms of land regulation pertain to such transfers of ownership rights. These regulations were originally linked to the requirement for a central registry that would maintain an inventory of all interests in lands. More recently, regulations in this area have altered the rights of ownership by regulating sales to foreigners and non-residents, by regulating the leasing of interests (e.g., condominium by-laws limiting rights to lease), and by regulating taxation laws directed at particular classes of owners (foreigners, speculators).

e) *Change in occupation*

The regulation of real property can occur in the absence of physical construction on the site. One such category relates to the occupation of existing buildings. The most obvious example is rent regulation.

The second such set of regulations relates to maintenance and occupation standards. Most provinces now provide authority for local governments to prescribe standards of fitness and safety for buildings that are intended for human occupation. These regulations are frequently limited to residential buildings, and generally apply only where someone other than the owner is the occupant.

Enforcement of these occupancy and maintenance regulations is not contingent upon changes. But, because of the problem of identification, enforcement generally requires that someone lodge a complaint. The recurring costs of inspection are such that these regulations are generally poorly enforced, unless a complaint is filed or the local government has some other reason to inspect properties owned by a particular landlord.

It is important to note that non-voluntary regulations, except for rent regulations and occupancy regulations, are not applied until such time as a private property owner decides on subdivision, development or construction upon the land, a change in the use and occupation of the land, or a change in the legal ownership. Similarly, the benefits arising from voluntary regulations, such as subsidies, are generally not available until some change occurs – either in the form of new development, construction, change in use, or change in ownership.

Generally, before regulations are enforced, there is *visible evidence* of activity (except in the case of public health enforcement and rent regulation) in the real property market. The enforcement of regulations is made easier by this fact.

The fact that the majority of regulations with respect to real property are applicable only at the time that physical or legal changes occur, coupled with the fact that real property is an extremely durable asset, implies that the majority of existing properties, at any given moment, will not necessarily conform to the current regulations. For example, in the residential sector, new housing starts amount to approximately three percent of the inventory of housing units in any given year. Hence, new regulations passed today will influence only a small fraction of the total housing inventory one year hence. Thus, the total impact of changes in the regulations will become visible only over long periods. This fact often leads to charges that regulations are ineffective in achieving policy goals.

The durability of real property and the application of regulations at the time changes occur have one other important consequence. The cumulative history of regulations inhibits new forms of subdivision design today. Even in provinces that provide for easy re-plotting (reserve of subdivision), the physical patterns of roads and services generally limit all new developments to existing transportation and service networks. To the extent that society's ideal community design changes, these cumulative decisions from the past make it more difficult to achieve today's goals.

Nature of the regulatory system

All areas of government are actively involved in the regulation of real property. Moreover, the various areas of government have quite different constitutional authorities and, as a consequence, they rely upon different forms of regulatory tools. Local governments rely most heavily upon directives in the form of by-laws or administrative directives; provincial governments use a greater variety of tools, including voluntary and non-voluntary regulations and direct ownership; and the federal government relies most heavily upon voluntary regulations and direct ownership.

At the risk of oversimplifying matters, one can make a number of observations about the existing regulatory system.

(i) *Complex and confusing*

That's how the present system of real property regulation has been described. The regulatory system is made more complex by the wide variety of regulatory tools that are in use (frequently by more than one area of government), and by the fact that existing political boundaries do not always correspond to market boundaries.

The system is confusing in that participants often get mixed messages from each area of government and find that there is little or no accountability inherent in the system. For example, at a time when the provinces expand rent regulations and local councils promote lower-density construction, the federal government promotes a program to encourage the construction of residential rental accommodation. At other times, local councils promote lower-density construction and simultaneously down-zone lands (to encourage or force developers to negotiate some development fees), while the provincial and federal governments promote larger single-construction.

The examples of conflicting messages form a long and confusing list. It is indicative of a variety of goals or objectives in each area of government. Frequently, these objectives are mutually exclusive, sometimes complementary, but seldom co-ordinated.

(ii) *Inconsistent and changing*

The present system is clearly marked by a high degree of inconsistency. The frequent changes in government regulations, the lack of standard procedures from one issue to the next or from one municipality to the next, and the lack of consistency from one council to the next all tend to give an impression of ad hoc decisions. Moreover, the system does not always require that explanations be given or reasons made public. Hence, it becomes difficult to determine the patterns of decisions.

(iii) *Lack of accountability*

The present system provides for only a modest degree of accountability. Some reviews of local regulations are undertaken by the provincial governments, but these reviews are not uniformly applied in all provinces and do not cover all aspects of the regulatory process. Hence, the provincial government may require that all community plans be provincially approved, yet the by-laws (tools to implement the plans) are not necessarily approved by the province.

(iv) *Conflicts*

The present system does not provide an efficient means of resolving conflicts between the various areas of governments. Basically, the provincial or federal areas of government can force their wishes on a local government. While it is recognized that some supremacy must exist when provincial and national interests are at stake, it is not clear that local concerns are given adequate weight in the process.

Regulation and political risk

These issues relating to inconsistencies, conflicts, changes, and lack of accountability all contribute in a significant way to the operation of the regulated markets. They combine to form what is referred to as a "political risk," a risk resulting from uncertainty about future regulatory changes that may increase or decrease an investment's attractiveness. The higher the perceived political risk, the higher the expected return on investment required by investors in order for them to be willing to invest.

This is analogous to other risks. For example, the more uncertain investors are about future interest rates, the higher the expected return they will demand in order to commit to the current interest rate, especially for a long-term investment. Similarly, the more uncertain they feel about the rents they will be permitted to charge in the future, the more wary they will be about investing in rental housing.

When regulations are changed frequently, and when the changes have a significant impact on the profitability of investments, potential investors feel highly uncertain about possible future regulatory changes. Hence, a system that is changed frequently, especially one which is changed in unpredictable ways (e.g., changes are introduced and then reversed at a later date), will result in a high degree of perceived risk. Ontario's evolving rent-regulation system, for example, illustrates the uncertainty that has resulted in a high level of perceived risk for potential investors in the Ontario rental market.

By making investment in the housing market less attractive than would otherwise be the case, increasing the political risk can increase the cost of housing and decrease its availability. To minimize such political risk, it is important to maintain regulations that are:

- relatively stable over time,
- perceived to be practical and equitable, and
- consistent with a healthy housing market.

Past experience and the credibility of the expectation that a policy will survive for the foreseeable future are both necessary in order for potential investors to *expect* policy stability. People expect that a policy that is unworkable (e.g., highly complex), unfair, ineffective or counterproductive will be changed sooner or later. If change can be anticipated, there is always risk regarding what form the changes will take. Hence, political risk will be higher than it would be if the policy is seen to be workable, fair, effective and productive.

Conclusions

The central question is not whether regulations will affect the private cost of housing production; if the regulations are binding, they will force private costs to the regulated party to be greater than would otherwise be the case. However, the combined private costs to the regulated body, coupled with other private and public costs, may be reduced. Alternatively, while total costs may be increased, the net benefits to all parties may be increased by more than the total costs incurred. What is seemingly lacking in the present structure is adequate accountability, co-ordination and enforcement of existing regulations.

HOW THE REGULATORY ENVIRONMENT AFFECTS THE PRODUCTION OF AFFORDABLE HOUSING

Tom Cochren
Past President
Canadian Home Builders' Association

The position of our association is that any municipal, provincial or other government body contemplating new regulations shouldn't implement them just because it's trendy, or just because some other similar body implemented them. The regulations should be well reasoned, and part of that reasoning should include a true cost-benefit analysis.

My remarks focus on three areas. First, I'd like to give you a brief overview of the home building industry and some of its guiding principles. Second, I'll identify the need for reform in the current regulatory environment. And last, I'd like to discuss the ACT initiative – a vehicle for co-operation and change.

The central theme is that existing regulations unreasonably limit the ability of the home building industry to provide people with the types of housing they want at a price they can afford. I believe that, through regulatory reform, we can improve housing affordability and choice without compromising health and safety or the quality of our housing and communities.

Let me give you some background on the industry. It is important to realize that the Canadian Home Builders' Association's approach to housing policy is guided by two fundamental principles. First, the right of all Canadians to decent, safe and appropriate housing. Second, the right of all Canadians to a reasonable opportunity to own their own home.

We recognize that the building industry is only one of many players in the housing field. If Canadian housing policies are to be successful, we must have partnership and co-operation between the building industry and government.

As past president of the Canadian Home Builders' Association (CHBA), I've had the opportunity to travel across Canada, visiting many of our 70 local associations. Outside of the major metropolitan centres, home building is the domain of small business. The average home builder in Canada builds fewer than 10 homes per year; the figure is 7 or less in most cases. These are small, entrepreneurial firms providing quality products and services in tough, competitive markets. My travels have left me with a great sense of pride in the quality of the housing and communities that are being built by these entrepreneurs.

My travels also confirmed my belief that Canadians are undoubtedly one of the best-housed people in the world. Nevertheless, many still lack an adequate and affordable place to live. Increasingly, Canadians – especially young families – are having difficulty entering the housing market.

As our industry strives to produce good-quality housing that meets the needs and demands of the market, we face two major challenges: increasing and often unjustified taxation; and restrictive regulations.

The home building industry is being bombarded by an ever-increasing array of taxes: land transfer taxes; registration fees; development charges of all types; lot levies (also known as capital charges); parkland taxes; and the Goods and Services Tax.

These taxes only exacerbate the other major problem that we face: overly restrictive regulation. Our association believes in the need for a regulatory environment. We are not arguing for de-regulation, but for regulatory reform. We recognize that regulations play a useful role in ensuring public health and safety, and in allowing for the effective management and development of our land and housing. But the regulatory environment is not allowing the building community to meet the changing needs of the marketplace. Every regulation has a cost attached

to it, thus making housing less affordable – especially in cases where there is duplication or, in some cases, no need for the regulation.

CHBA's commitment to regulatory reform is, in part, due to the demographic changes occurring in Canada today. The baby boom generation, which makes up about 45 percent of our population, will be less of a force in the entry-level market. At the same time, there is a growing demand for renovation services, and in a few years housing for seniors will command a major segment of the market.

While short-term economic factors affect housing prices and sales, the aging of our population will determine the type of housing we will build. Active seniors seek a wider choice of residential options – options that allow them to stay in their communities and maintain independent lifestyles rather than accept institutional care. Some will be looking for alternatives that enable them to live closer to their families and friends, alternatives such as accessory apartments and garden suites. Others will seek smaller dwellings, or accommodations that provide them with access to the particular services they need.

There are other changes in society that we cannot ignore. We're seeing a growing number of single people and single-parent families. Today's families are generally smaller than in the past. These changes will also result in demands for new types of housing.

There is also the issue of housing affordability. As housing prices rose and fell through the economic cycles of the 1980s, young Canadians and first-time buyers were squeezed out of the housing market. Inflation, supply and demand, and taxation all contributed to the problem, but so did our burdensome regulatory process.

Every regulation carries a cost to the consumer and affects consumer choice. The Canadian Home Builders' Association and others in the housing sector who are concerned about the changing demographics and housing affordability are finding that excessive regulations are restricting innovation in the housing field, limiting housing choice in communities across Canada, and unduly increasing the cost of that housing. As well, regulations work to prevent adaptation to existing markets or flexibility in design or construction.

These regulations and their associated costs apply to all types of housing, including non-profit and co-operative or social housing as well as private, rental and ownership-market housing. A paper prepared in 1988 for the National Research Council on the cost of regulation in Ontario estimated that, by eliminating regulatory overlaps and improving administrative procedures, an annual savings of $20 million could be achieved. Approximately half would accrue to the municipalities, and the other half to the Ontario and federal governments.

Nationally, according to Statistics Canada, the value of residential construction (both new and repair) totalled $35.6 billion in 1988. If regulatory reform results in a minor cost reduction of one percent, the savings would amount to more than $350 million.

We are seeking changes in building and land-use regulations that would reflect household composition and lifestyle patterns, and changes that would provide for flexibility, innovation and improved housing affordability.

Let me give you some examples of the problems that regulations can pose. By restricting housing density, type and size, zoning by-laws can limit the range of housing types, tenures and forms of available housing. These regulations are probably the biggest impediment to housing affordability in larger centres. Neighbourhood resistance to increased density levels has given rise to the acronym NIMBY, or Not In My Back Yard – and its political counterpart, NIMTO, Not In My Term of Office.

Zoning by-laws in established neighbourhoods often bear little resemblance to the type of housing that exists in the neighbourhood. If that seems impossible, consider the finding of a study prepared by the Renovators Council of the Toronto Home Builders' Association. That study, which examined a typical city block in an established neighbourhood, reports that, if they were built today, all but one of the fifty-five houses on the block would require at least one by-law variance and a committee-of-adjustment hearing.

The Charlie House, a single-family home designed to be converted into two self-contained dwelling units to accommodate changing household needs, was a demonstration project built in Hamilton, Ontario, under the regulatory reform initiative. Ironically, despite an enthusiastic public response to the project, the planning regulations in most municipalities, including Hamilton, prevent the construction of housing that contains secondary apartments.

Existing land and development regulations frequently prevent the use of proven, cost-saving methods in land development, site planning, and building techniques. Site- servicing standards are often excessive – for example, those that call for unnecessarily wide streets, sidewalks on both sides of the street, oversized sewer lines, and large frontages. In some municipalities, cul-de-sacs are prohibited, precluding more cost-efficient site planning – including the use of zero-lot lines and cluster developments. A municipality might cite concerns about the effect of reduced standards on maintenance costs. Some so-called reduced standards, however, are used by an adjacent municipality and have no effect on maintenance costs.

Building codes often contain unreasonable minimum standards, or standards that are outdated and that fail to reflect technological advances in the industry. Building codes for new residential construction are frequently applied to the renovation of existing structures. For example, the City of Toronto requires termite-control measures for highrise buildings, even though the buildings contain no wooden structural elements.

Another example: an owner was refused an occupancy permit (which was required before the mortgage could be granted) because of a bathroom fixture he had installed. He spent more than $800 on solid-brass taps for the sink, taps that, in my view, were of the finest quality. But they did not have a CSA approval. So they had to be removed, and, to enable the inspector to issue the occupancy permit, conventional $15 taps were installed.

There has been progress on some fronts. The Province of Ontario and some municipalities have taken steps to change the Building Code's standards for renovation work. Part 11 of the Ontario Building Code establishes a set of compliance alternatives to new construction standards. For example, replacement stairs will not have to be widened to meet modern code requirements in a renovated dwelling. The City of Vancouver has established a building by-law that contains renovation guidelines. These types of initiatives need to be adopted more widely.

To ensure the orderly development of a community, an approval process is certainly required. Getting approval to develop land and build houses, however, can be a time-consuming, frustrating and very costly process. Inevitably, more than one level of government is involved in the process, as are many different government departments. From the builder's perspective, it often appears that the approval process has become an end in itself, rather than a vehicle for good decision making. Delays create increased costs for builders, costs that, in the form of higher prices, must be passed on to or "absorbed" by the new home buyer, renter or social housing agent.

In Walkerton, for example, it took more than three months to get a building permit for a renovation project that included inside alterations – a small addition and a porch – because one end of the porch projected into a side yard. Since the building department would not treat the job as two separate projects and issue a permit for the interior work, approval was needed by the Niagara Escarpment Commission. The entire application had to wait.

In another case, an Oakville, Ontario, builder completed a building-permit application that included visits to four or five separate buildings to get water permits, hydro permits and so on. He collected them all, went to the main building department, wrote a cheque for $5,100 in fees – no lot levies or anything, it was strictly building-permit fees – and was told to call back in 17 weeks. You might be relieved to know that, with the current decline in housing starts in southern Ontario, the 17 weeks was reduced to about 12 weeks.

In the case of non-profit housing, which is often funded by various levels of government, builders are faced with the problem of overlapping inspections. Sometimes, inspectors from three levels of government come to inspect the same item. So what is the solution? CHBA's objective is not to abolish regulation, but rather to modify or reform regulations. At issue are the out-of-date, overly restrictive, redundant regulations. These not only add to a home's costs, they also stifle creativity and innovation in the home building industry. If you, as a builder, knew that doing something a little bit different from the norm would triple the time it took to get a building permit, would you really try it? Given that three and sometimes four levels of government develop policy, standards and codes related to the production and use of housing, the need for co-ordination is obvious.

Our industry is driven by the market. We have to be able to respond quickly to its needs. We aim to give our buyers what they want. To do otherwise only adds to the risk, and is

certainly not sound business practice. Given the diversity of organizations involved in the housing sector, the regulatory environment should recognize this. A thoughtful approach that fosters co-operation and partnerships is the only one likely to succeed.

In response to the need for regulatory reform, and to the desire of the housing industry and government for action on regulatory reform, the Canadian Home Builders' Association has entered into a partnership with the Federation of Canadian Municipalities (FCM), the Canadian Housing and Renewal Association (CHRA), and Canada Mortgage and Housing Corporation – a partnership to carry out the ACT program.

ACT stands for Affordability and Choice Today. The main objective of ACT is to increase housing choice and affordability. There are other goals: to ensure that land development and planning standards accurately reflect the housing needs of communities; to ensure that the land-development approval process, the permit process and inspection process do not unduly inhibit creative development approaches; and to increase the level of mutual understanding and co-operation between the building industry and municipal governments.

The program's initial phase involves consultations with representatives of the housing industry and regulatory agencies, in order to identify issues and examples of successful regulatory reform initiatives. (A discussion paper based on this work is available from the FCM.) The consultations have reinforced the view that, if we are to improve housing affordability and choice, then co-operation between the building industry and municipalities is essential. Some municipalities and provincial governments have started taking positive action to consolidate building codes and streamline the approval processes. Many more parties are interested in participating in regulatory reform initiatives, but they do not have the tools and/or information to do so. ACT has been designed to encourage municipalities, builders and non-profit housing groups to work together to develop and adopt innovative ideas, and to promote these ideas across Canada.

The ACT program, which runs until 1993, has a four-year budget of $1.4 million. Under ACT, grants will be provided to projects that demonstrate the ways that creative changes to municipal by-laws and approval processes can improve housing affordability, choice and quality. The projects must have the co-operation of the building industry, private and non-profit groups, and municipalities.

Three types of projects are eligible for grants. First, grants of up to $20,000 will be awarded to residential construction projects that best demonstrate innovative, regulatory approaches to site planning, building design, construction, or site servicing. Second, grants of up to $10,000 will be awarded to projects that focus on approval process modifications that reduce the time and effort required to obtain approval. Third, a nominal grant of $1,000 will be provided to municipalities and private and non-profit builders that have successfully reformed regulations to improve housing affordability and choice. The grant will allow case studies to be prepared, and will allow innovative projects to be shared with other people in the housing field.

To ensure that communities across Canada learn about the benefits of regulatory reform, all projects sponsored by ACT will be documented and published as case studies. It is hoped that others will try to implement similar projects in their own communities.

The Home Builders' Association firmly believes that, through ACT, co-operation at the community level will result in projects that demonstrate the benefits of regulatory reform. Just ask yourself how many more young Canadians will be housed tomorrow because our regulatory environment welcomes innovation, encourages the development of new ideas to accommodate growth and changing markets, and speeds up our approval process.

Information about ACT and application forms are available from local CMHC offices as well as from the FCM, CHRA and CHBA.

I think the important point to stress is that we are all in this together. Now that we know more about the need for, and the benefits of, regulatory reform, it's time for you to find ways of working with others in your community to reform the regulatory environment. With the objective of continually reviewing and improving our regulatory process, the Canadian Home Builders' Association is committed to creating co-operative partnerships. I am proud that my association is part of the ACT initiative, and I am optimistic that, together with our partners, we will succeed in changing attitudes toward regulatory reform and in improving housing for all Canadians.

CURRENT AND EMERGING OPTIONS FOR HOUSING YOUNG FAMILIES

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Introduction

While I was preparing my notes for this presentation, I came across a paper that had been presented at a workshop in Toronto in 1970. The paper dealt with providing affordable housing for young families – the theme of this particular conference. The writer said he was very optimistic about the future. Based on a trend of improving incomes and of increasing assistance provided by governments, he expected that, by the year 1990, housing affordability would not be eliminated but would be restricted to a very minor sector of society.

I wish that prophecy had come true. But looking at today's situation, it's hard to be optimistic. In my presentation, I want to sensitize you to some of the problems that exist, and then mention some current and emerging options that may help to provide more affordable housing for young families. Most of my data are Winnipeg-based, but they probably reflect the situation in many other metropolitan areas of Canada.

Housing circumstances for low-income households do not show significant improvement

We are rapidly losing the lower-priced private rental stock that is so important for accommodating lower-income families. Losses in Winnipeg's inner city have been significant. From 1972 to 1988, for example, average annual losses through demolition, conversion to other uses, upgrading to higher-priced housing, and conversion to condominiums exceeded 300 units per year. The addition of social housing units during the same period averaged just under 300 units per year. If you exclude co-op units (not all of which are targeted to low-income households), the average falls even lower. The number of low-income native families alone that move to Winnipeg each year exceeds 300. The bottom line is that there is an increasing number of lower-income families competing for fewer and fewer low-priced, adequate units.

The disappearance of adequate, lower-priced stock is exacerbated by the declining purchasing power of low-income households. Their incomes are not keeping pace with costs.

Table 1 shows that, between 1981 and 1986, the percentage of all households in the inner city that fell below the Statistics Canada poverty line increased from 36.2 to 39.5 percent. This represents an absolute increase, as well as a percentage increase – the number of households in the inner city increased by 2030 during the same time period. The percentage of aboriginal households below the poverty line increased from 71 to 73 percent, single-parent households from 54 to 63 percent, and young households (ages 15-24) from 45 to 56 percent. Only senior households had any significant improvement, falling from 49 to 45 percent.

TABLE 1
The position of selected groups relative to the poverty line, 1981 and 1986
(Winnipeg's inner city)

Group	1981	1986
All households	36.2	39.5
Aboriginal households	70.7	71.9
Single-parent households	54.1	62.8
Youth households (15-24)	45.1	56.1
Seniors (65+)	49.5	45.2

Source: Customized Statistics Canada census tables in *A Community-Based Needs Consultation of the Inner City: Summary Report* (Institute of Urban Studies, 1990).

The erosion of incomes relative to costs is illustrated in **Table 2**.

TABLE 2
Comparison of average incomes of selected households 1980 and 1985, in 1985 dollars
(Winnipeg's inner city)

Group	1980 $	1985 $	Change %
All households	22,659	22,325	- 1.5
Aboriginal households	N/A	13,913	N/A
Single-parent households	19,049	16,909	- 11.2
Youth households (15-24)	15,561	14,038	- 9.8
Seniors	17,467	19,031	+ 9.0

Source: Customized Statistics Canada census tables, prepared for the Social Planning Council of Winnipeg.

Incomes in constant dollars have actually been declining for many groups in the inner city. Only senior households have shown substantial improvement. The decline in real incomes has resulted in a situation in which an increasing percentage of households are spending more than 25 percent of their income on shelter, as illustrated in **Table 3**.

TABLE 3
Percentage of selected households spending 25% or more of income on shelter
(Winnipeg's inner city)

Group	1981 %	1986 %
All households	48	56
Aboriginal households	N/A	68
Single-parent households	64	75
Youth households (15-24)	54	65

Source: Customized Statistics Canada census tables in A Community-Based Needs Consultation of the Inner City: Summary Report.

The spending power of inner-city households is declining, and the percentage spending 25 percent or more of their income on housing is increasing – so it is not surprising to find that average rents in the inner city have been increasing. Between 1981 and 1986, the increase in the average inner-city rent was 10.6 percent (measured in constant 1986 dollars). This increase was due largely to a loss of the cheaper units from the rental stock (i.e., under $200 per month in 1981 dollars).[3] The situation is such that real household-incomes have decreased, the cost of rent has increased, and the proportion of lower-cost units has declined. In terms of ability to afford housing, single parents and natives are the most disadvantaged – though all households in the inner city face significant difficulties.

Therefore, between 1981 and 1986, the housing circumstances of many households did not improve. For many, housing was unaffordable and becoming more so – despite the fact that a considerable amount of social housing was built during that period.

As we look to the future, other factors add to this rather bleak scenario.

For some low-income families, the problems are exacerbated because they are visible minorities and are subject to various forms of discrimination in the housing market.

Bleak predictions for economic performance are also a factor. In the Prairies in particular, we have a rural economy hit by a drought and a cost-price squeeze. Several years of poor crops have been followed by a year of good crops, but prices have fallen. The price of wheat is the lowest it's been in 60 years, but costs have not fallen accordingly.

A migration of low-income families from rural areas is expected to swell the ranks of low-income households in urban areas.

In addition, a changing industrial structure is resulting in fewer and fewer low-skilled jobs, jobs that low-income people have depended on for years.

We are also witnessing a shift in the population's demographic structure, resulting in a growing proportion of seniors. These seniors will wield a substantial amount of political clout, and will command a large share of government funding – thus making it less likely that families will receive substantial amounts of assistance.

And, we have the overriding factor of reduced government funding.

So the future does not look all that rosy – particularly if you're a single mother with three children under the age of six and you're looking ahead to the next decade. Many single parents, as well as other households, live in inadequate and unaffordable housing, and have little reason to look forward to improved circumstances in the near future.

[3]Urban Futures Group of Inter-Agency, Community Inquiry Into Inner City Revitalization Report (1990). Winnipeg data taken from customized Statistics Canada census tables.

How have we responded in the past?

And, what must we change in order to accommodate what may well be a growing number of families with affordability problems in the future?

For approximately the past 35 years, we have worked with a system that gives provincial and federal governments tight, central control of the design, delivery, construction and management of publicly assisted family housing. In the 1950s and '60s we had an extensive building program to produce public housing. The projects were generally large, high-density with full targeting to low-income households, but they didn't have the necessary built-in social-support services and physical amenities.

In the early 1970s, we replaced that approach (to a large extent) with more community-based, mixed-income programs, and we involved municipal, private and co-operative non-profit housing corporations in delivery and management. These projects were intended to better integrate into communities, they were smaller and better designed, they housed families with a range of incomes, and they probably had better physical amenities and social-support services overall.

In the mid-1980s, we again reverted to tighter targeting directed to the very low income, with income mixing limited generally to co-operative, index-linked mortgage programs.

Despite some significant changes in the 1970s, program approaches have been characterized by considerable centralized control by senior levels of governments. Although not without considerable flexibility (a flexibility that has spawned a number of innovative and effective initiatives), programs have generally separated the public and the private sectors, and have incorporated varying but generally very limited degrees of community support for projects that have too often taken the "cookie-cutter" approach.

Options for the future

In the future, I see a need for more programs that channel federal and provincial dollars to innovative projects tailored to the individual needs of communities. We need to get communities involved in developing local solutions, and in responding to local needs. This becomes particularly important when we remember that many clients need more than housing: they need supportive housing. They need a package that includes housing and a variety of support services, ranging from day-care to life-skills training, as well as training in household management and budgeting. Housing delivered under government programs has traditionally not been particularly adept at incorporating such services. The emphasis has been on getting units into place. So perhaps it is time we looked to community-based organizations (though not just those with housing as their primary mandate) to get more involved in the delivery of housing and associated support services.

I recently had the opportunity to chair a public inquiry into the revitalization of Winnipeg's inner city. More than 90 community-based groups and organizations made public presentations to that inquiry. Many of these groups had interests and concerns in the area of housing, and the level of experience and expertise of many of these groups was encouraging. This experience and expertise has been used quite effectively in the delivery of many programs associated with inner-city revitalization, and could perhaps be used more effectively in the delivery of housing and associated support services. Organizations working within the community are often in the best position to identify people's needs and to identify what is best for the community in general.

I believe that future circumstances will dictate a need to build projects under a greater variety of financial arrangements, combining the resources of individuals with those of the public, private and non-profit sectors, and incorporating a greater role for the community and community organizations. The following are examples of initiatives that incorporate the organizational skills and expertise of community groups, and that also tap a variety of funding sources other than government programs.

Community-based land trusts (CLTs)

CLTs are becoming popular in the United States. Groups formed by churches, resident organizations, or low- and middle-income people themselves are buying older, deteriorated housing, then renovating and selling it at affordable prices to low- and moderate-income families. The CLT sells the dwelling but keeps the land, which of course reduces the cost. When the initial family moves or buys another dwelling, the

home must be sold back to the CLT at a price fixed in the contract, a price that is generally less than market value. It can then be sold to another family, again at a considerable saving.

Although start-up funds for CLTs have generally been contributed by non-profit and community-based organizations, recently the states of Vermont and Connecticut have set up grants and loan programs to assist CLTs with the initial funding – funding that is so important to the purchase of the first properties and for their renovation and sale. Burlington, Vermont, recently invested $1 million worth of employees' pensions in a land trust program, and other cities are turning over their tax-defaulted properties to CLTs.

Equity trust funds

Under this initiative, which again is largely American- based, owners of real estate sign an equity pledge promising that when they sell their property, they will give a portion of the appreciated value to an equity trust. Accumulated funds are generally administered by community-based organizations, and are used to fund housing and economic-development projects for low-income people. Encouraging people to contribute depends largely on their generosity, although the equity they turn over is tax deductible.

Revolving loan funds

A loan fund is generated from capital contributions made by people and organizations who want their money to be invested in socially constructive projects. Donations are received from individuals, but money is also contributed by religious organizations, foundations and private corporations. Some of the capital obtained may be in the form of outright donations, but generally those that contribute receive a return (although at rates substantially below market rates of return). Community-based organizations generally provide the expertise to manage the fund, and negotiate and manage loans to community groups that are interested in building affordable housing for low- and moderate-income households. The terms of the loans vary according to the group's needs and ability to pay, but are always at rates substantially below prevailing market rates.

Development fees and exactions

The private sector often blanches at the mention of such approaches to affordable housing. However, in several cities (mainly American), there are inclusionary requirements on developers of residential housing which require them to target 15 to 20 percent of a development's units to low- and moderate-income people.

Alternatively, developers can pay a "fee in lieu" instead of abiding by the requirements. In booming real estate markets, cities have imposed what they call housing linkage-fees. These are fees charged per square foot of developed commercial space. The money is used to fund new, low-cost housing. The argument is that new jobs created by the developments create the need for housing. If Los Angeles passes its proposed $5-per-square-foot linkage fee, it would garner $40 million annually for low-cost housing. Fees in lieu and linkage fees have been managed and invested by community-based organizations that have a mandate to provide affordable housing.

Corporate tax credits

Developers of low-cost housing (generally non-profit, church, or other community-based groups) can apply for an allocation of tax credits from the federal government in the United States. They sell the credits to corporate companies or a pool of investors who, in turn, invest a stream of cash in the building over a period of perhaps ten years. The investors generally own 99 percent of the building, while the community-based developers own 1 percent and manage the units.

Projects developed on such a basis may be able to keep rents more affordable for periods as long as thirty years. This is an example of community-based organizations tapping funds that might not normally be available to support affordable housing.

Community Reinvestment Act

Some American cities require that banks doing business in their community invest funds in the provision of affordable housing. They are required to make loans available at below-market rates. Over a ten-year period in California, a pool of banks has invested $1 billion worth of low-interest funds in multi-family rental housing. Again, the funds are often channelled to community-based organizations that plan, construct and manage the housing projects.

Housing advocacy organizations

In several cities, notably those in the United Kingdom, community resource-groups work with

neighbourhood residents to access better-quality affordable housing. Sometimes, for young renters and buyers, half the problem is the lack of information, the inadequate understanding of market circumstances, and the lack of contacts. So, the resource groups help households access both private and public sector housing options. The groups' staff are quite knowledgeable about a wide range of housing programs, landlord-tenant legislation, and a variety of agencies that provide support services. With groups working in communities, existing resources and facilities are used to the greatest possible extent.

Hearth Homes in Nova Scotia

This is a community-based initiative that incorporated substantial community involvement. A local organization designed very small but appropriate housing, and mobilized financial and participatory community support (in planning, construction and management). However, the standards developed locally didn't meet national guidelines, and there didn't seem to be enough flexibility in these guidelines to ensure government support. Without some government assistance, the program was unable to continue, and the community lost an opportunity to provide small but more adequate and affordable housing to households living in very substandard conditions.

Habitat for Humanity

This is another community-based organization operating in Canada and many other countries, and it has also become very effective at providing affordable housing for low-income households. In Winnipeg, the group has constructed about sixteen new homes and renovated nine. To put each project together, the group incorporates self-help from potential owners, volunteer expertise from local builders, donations of money from community organizations and from individuals, funding from their own religious group (the Mennonite Church), and limited government assistance. The organization perhaps epitomizes the ultimate in community-based assistance and participation – and it works.

I will mention two other options. First, employee-sponsored housing, which is funded through regular contributions from employees' pay cheques or pension funds. And second, self-help housing in rural areas. CMHC is currently administering a self-help demonstration project in rural areas, one that may also prove effective in providing more affordable housing.

Conclusion

Many of the options I've mentioned have not been tried in Canada. Some may not work here, because a number of circumstances are different from what they are in American cities. However, they should not be dismissed out-of-hand. Extensive funding is not likely to be available from senior levels of government in the future, and every avenue for providing more affordable housing should be considered – particularly if the avenue incorporates contributions (financial and otherwise) from other sectors in society.

We should not assume, however, that such approaches will solve all problems or provide all the housing that is needed. They should not be considered as an excuse for governments to retreat even further from funding social housing. These initiatives will simply not provide all the housing required, and many of them will not work without some form of government support. Governments must still provide funding, they must still show leadership. And, by obtaining financial contributions and utilizing the expertise and assistance of other sectors in society, perhaps there are ways of stretching this government assistance further. We must continue to seek out new ways of making the most of our housing dollars.

CURRENT AND EMERGING OPTIONS FOR HOUSING YOUNG FAMILIES

Robert Player
President
Canadian Housing and Renewal Association

I was asked to give the third sector's view of creative, non-profit and co-operative housing opportunities for providing more affordable housing.

The term "third sector" refers to non-profit and co-operative housing groups. Despite the fact that municipal non-profit housing corporations are part of the public sector, they are also often included in the third sector. As the general manager of City Living, the municipal non-profit housing corporation of the City of Ottawa, I am mainly involved in this latter component of the third sector; but as the president of the Canadian Housing and Renewal Association, I'm also involved in a much broader sector.

Given the third sector's three major components – the private non-profits, public non-profits, and co-operatives – there are probably three different views on most issues. Housing co-operatives might focus on residence management and mixed-income communities; the private non-profits focus on the housing needs of seniors and special-needs groups; public non-profits often focus on the most disadvantaged, and attempt to integrate housing endeavours into the municipality's priorities. Yet, in their basic objective of providing affordable housing on a not-for-profit basis, the three distinct components have something very special in common.

In general, the third sector shares the views of the private sector on many issues: the question of regulatory reform, the impact of the GST on affordability, and the need to overcome the not-in-my-backyard attitude of many communities. Aside from stating that the third sector supports endeavours to make housing more affordable and more appropriate to residents' needs, it's not necessary to go over all these points again. Rather, I will start by reviewing some specific projects the third sector has undertaken to expand the availability of affordable housing.

One of the ways to deal with the situation is to better-target housing products to client groups, to make housing that better fits their actual needs and financial capabilities. The definition of "appropriate housing" can't be nationally established. Community preferences and existing community standards must be considered. Although health and safety standards must be met, other requirements should all be open for review.

The Hearth Homes project in Nova Scotia (mentioned by Tom Carter in his speech) provided 120 houses to very low income families between 1985 and 1989. This is a prime example of what can be done. Regrettably, government seems to disagree about the project's value and has ended its financial support.

The Grow Home concept at McGill University is another example of this approach.

In the past years, the concept of self-help was popular. Building co-operatives and other self-help approaches provided many Canadian households with a means to obtain affordable housing. Although it might appear that self-help is not an option in higher-density urban housing forms, the concept should not be ignored. The Grow Home, for instance, shows that self-help could apply to higher-density projects as well. The federal government is currently working on a self-help demonstration project in southwestern Montréal. We'll be looking forward to seeing how it works, and whether the experience gained can be applied elsewhere in the country.

Many non-profit and co-op groups have developed projects requiring no direct government assistance. In the co-op sector, these projects have mainly been targeted to seniors, many of whom have the necessary up-front investments.

The projects are known as resident-funded co-operatives. They differ from standard equity co-ops in that they are non-profit in character.

How can this concept be applied to young families? Some non-profit housing corporations have developed similar non-direct government-assisted projects. But rather than involving residents in the financing, they rely on joint ventures with the private sector to access some of the tax expenditures available to rental-housing investors. City Living recently completed a project that included both social housing and affordable market-housing components, a project that involved some direct provincial assistance to achieve rents that were affordable to moderate-income households. City Living has also set up another limited partnership to assess the ability of private sector investments to rehabilitate older social housing stock.

The concept of special housing-investment funds (referred to by Tom Carter) has reached Canada rather recently. In many countries, community trust-funds have been established to funnel funds from socially conscious investors into affordable housing. A good example of this approach is the Cape Breton Labourer's Development Company, which uses a bankroll check-off system of $25 an hour to build a pool of funds with which to finance new homes. Besides providing affordable housing, the scheme also generates work for unemployed labourers in Cape Breton. Another example is the Community Foundation, which was established by the Vancouver City Savings Credit Union. Media reports indicate that it expects to fund alternate housing-developments as one of its first projects.

The third sector (or, more specifically, the co-operative housing sector) has recently pioneered an important financial innovation that can have a major impact on housing affordability in Canada: the 1986 introduction of the index-linked mortgage (ILM) to the Canadian financial market. The ILM, by matching mortgage payments more closely to household income over time and yet still allowing housing costs to drop in real terms, can (and should) be used to provide more affordable housing right across Canada. It is regrettable that, after several years of positive experience, the federal and provincial governments have still not recognized the ILM as an effective and viable mortgage instrument that should be used more broadly. CMHC's evaluation of the ILM should have been carried out much earlier, and the senior levels of government should have been encouraged to expand use of the ILM by now.

So far, I've discussed a number of alternative ways to provide affordable housing. However, despite the potential of each method, it would be incorrect to leave the impression that these ideas offer a total solution to our housing affordability problems. Each approach can do something in a specific area, but the need is far too great to be met by only some of the ways that have been mentioned so far. Better targeting of products to clients' needs and financial capabilities can provide solutions to some problems. Self-help ventures can help households that are in a position to do the required work. Resident-funded projects will work for clients who can afford to make initial investments. Joint ventures between the third and the private sectors work where there is a reason for private investors to give up part of the value of the tax expenditure available to them. I should point out, however, that the joint venture projects developed to date have required a great deal of work, and, because of the use of consultants and internal staff, the fees have been relatively high.

These projects have resulted in additional affordable housing. However, I believe they've been produced at high indirect costs to the senior levels of government and to the project sponsors. It would be difficult to repeat them quickly enough to meet the need for affordable housing in this country.

The ILM has the greatest potential. I sincerely hope that the senior levels of government will soon recognize this, that they will provide financial market-support through mortgage insurance, and that they'll provide the product development necessary to expand use of the ILM.

However, I also want to point out that the ILM on its own can have only a limited impact on the current situation. We face a serious housing affordability situation in Canada. Higher-income households with incomes in the top two quintiles are well served by the existing housing markets. These income groups can expect to purchase their own homes and control their housing costs and living environments. Some may have an initial affordability problem, but, because of the potential for income growth over time, and since once a house is purchased a large percentage of the ongoing cost is fixed, these people can expect their housing cost to fall in real terms over time. (Most of us here at this session can relate to this. We purchased our homes years

ago, when prices were much lower, and since then our mortgage payments have drastically declined in real terms.)

The challenge is to develop ways of reducing up-front costs, so that more households, especially young families, can continue to enter the home-ownership market. High housing costs and high interest rates are making it more and more difficult for young families to buy their first home. ILMs might offer a solution to part of the problem.

Households with incomes below the government-defined core-need threshold are eligible for current non-profit housing and rent-supplement programs, but the level of production of these homes can't meet the demand. While current residents of social housing projects have obtained adequate and appropriate housing for 30 percent or less of their incomes, many more low-income households don't have this opportunity. Because of their low incomes, there's no solution to their affordability problem – other than increased government assistance.

But what about the households in between? I suggest that moderate-income households require some attention as well. Moderate-income households do not qualify for current government housing-programs, and they will probably not be in a position to achieve home ownership. They don't have security of tenure, and they certainly can't expect their housing costs to decrease in real terms over time. Their only option is to continue renting in the private sector and thus face constant rent increases.

The challenge is to develop ways of providing these households with security of tenure and control over housing costs, to give them the same opportunities and hopes that are enjoyed by higher-income households. Today's rental sector doesn't provide such security and opportunity. The private rental-sector, as it stands today, is not the appropriate housing-production solution or option for the future.

Before I get challenged on this, let me point out that I'm not talking about the private housing-development industry. The private sector builds all the housing produced in this country, including all the non-profit and co-operative housing, in a very competitive and cost-effective way. What I am referring to is the ongoing investor-ownership of housing that is available for rental purposes. Although they're interested in effective and efficient management of the housing they own, investors in rental housing are also interested in ensuring they get a rate of return that is related to the risks they take. That rate is higher than the bond or mortgage rate. If this rate can't be obtained through cash flow, it must be obtained through future capital gains. Thus, to capture the required gains, many investors must sell the project at some point. Given current market conditions, this means that rents must increase in real terms over time.

We are all aware of the federal government's difficult fiscal position. I am certain that no one here wishes to see the government reduce its direct housing assistance for households in core need so that moderate-income households can be assisted. The third sector doesn't advocate such a position, either. However, the issue is not quite as simple as that. All housing provided in this country, whether rental or ownership, is assisted in some way by senior levels of government. Perhaps we need to look at whether the current structure of this assistance is fair.

Home-owners receive major benefits through the tax treatment of their homes. In addition to the tax treatment of capital gains, tenants with investments that earn taxable income face a higher tax burden than do home-owners who have invested in a house and who have no taxable income from the investment. In some circles, this is called non-taxation of imputed rent, but I would rather refer to it as the non-taxation of investment income. We're not calling for the elimination of such treatment; we only want to recognize that, compared with tenant households, those of us who can afford to own our own home receive major benefits.

The private rental-sector also receives major benefits. Through the use of capital cost allowances (CCAs), investors in private rental-housing can shelter income and increase their after-tax rate of return. In effect, CCAs are a way for governments to provide an interest-free loan to private rental-investors.

Third sector projects receive direct assistance, and, because of this, are deemed to be costly and in need of being targeted. However, the experience gained through the implementation of joint ventures, and research now being undertaken by the third sector, show that the value of the indirect assistance available to the private rental-sector is, for example, roughly equal to the direct assistance that would be required by third sector projects in conjunction with an indexed linked mortgage. To get rents that are lower than the actual, full, economic cost

of providing the housing, government assistance (either direct or indirect) is required. There's no other magic way of producing this type of housing.

In fact, the indirect assistance provided to the rental sector applies to all housing, regardless of its cost. A luxury condominium unit that is made available for rent qualifies for capital cost allowance on the full capital or non-land cost. This indirect assistance is certainly not targeted to modest housing or to lower-income households.

With our emerging interest in environmental issues, we should be reconsidering the value of providing indirect assistance to anything other than modest (or should I say "appropriate") housing. For instance, we could be looking at capping the CCA allowance at the following level: one that would be available to housing that is provided within the same Maximum Unit Price that applies to social housing. Wouldn't this be preferable to other forms of government budget-capping now being implemented?

I dare say that such a move would have a very negative impact on the private rental-housing sector. But, if the provision of housing (affordable or not) through the private rental-sector has higher indirect costs to the government than the direct cost of providing affordable third sector housing, then a government that's interested in expenditure control and effective delivery of services can't ignore these questions.

Young families certainly need more affordable housing, and lower- and moderate-income families should be able to obtain the same benefits from housing as those of us attending this symposium. Can we envisage a future where security of tenure, control over the living environment, and the potential for having their housing costs decrease in real terms over time are options that will be available to middle-income earners? Or will they always face rising housing costs and have affordability problems?

Governments have the ability to refocus their approach to housing so that young families and all moderate-income households will have options in the future. Governments have a choice; the question is whether they will respond.

CURRENT AND EMERGING OPTIONS FOR HOUSING YOUNG FAMILIES

Gary Reardon
Vice-President
Canadian Home Builders' Association

Affordability. It's an often-used but little-understood term. Depending on your perspective, affordability can mean different things. It means something different to the buyer, the young family, the elderly couple, the single professional and, recently, the DINKS – Dual Income, No Kids. To me, it means a reasonable form of accommodation that stretches, but fits within, one's means. To the banker, it's a number: 30 to 32 percent gross debt-to-income ratio. If you can live within that range, you can have a house. To the builder, it's probably an impossibility, or close to an impossibility. Given servicing costs, buyers' expectations of quality, land costs, interest costs, and neighbourhood and municipal objections to any form of density, it's becoming increasingly difficult to provide affordable housing.

The dilemma of providing affordable housing is not a new issue. We had this problem after the Second World War, then again during the 1950s and '60s. After World War II, industry responded to meet market demand. On lots that are 30 to 40 feet, we built homes that were between 800 and 1000 square feet – but over time, market-driven forces demanded bigger homes, bigger lots and more goodies.

The current affordability crisis emerged during the mid to late 1980s.

The problem with housing isn't as easily corrected. The problems in our industry today can be traced back to all levels of government – federal, provincial and municipal. In their enthusiasm to create more regulations and regulatory reform, all governments have added to the cost and burden of housing.

A lot of research has been done on affordability. I could list at least a hundred articles, publications, books and research papers that treat the issue. There have been study groups, demonstration projects, symposiums such as this one, and numerous other initiatives that have attempted to define the problem and deliver workable solutions.

The home building industry has certainly been at the forefront of much of this research. In 1987, the Canadian Home Builders' Association (CHBA) commissioned an independent study entitled *Buttressing the Canadian Dream: A Strategy to Foster Access to Home Ownership*. That study defined the problem, gave the economics of financing, and proposed a strategy for home ownership in Canada. The findings of that study hold true to this day; with subtle variations, the conclusions and recommendations are valid.

In 1988, the Toronto Home Builders' Association spearheaded the affordable-home-ownership Charette. The Charette's findings paralleled our 1987 study and went even further – to the actual design of homes and subdivisions. The charette report specifically addressed Toronto's problems, but its findings apply to all of Canada.

In essence, the report concluded that the major impediments to affordable housing were: higher land costs, expensive subdivision standards, burdensome lot levies and other charges, complex approval processes, high interest costs, increasing labour and material costs, consumer-driven up-sizing and demand for "goodies," interest rate instability and high debt loads, and NIMBYism. The report concluded that the industry was ready, willing and able to provide an affordable home, as long as cost savings could be achieved in some of the areas just listed. The report also lists a number of viable alternatives, such as the conversion of existing housing stock and low-rise commercial structures.

In 1989 the Hamilton Home Builders' Association, in conjunction with CMHC and CHBA, developed a Charlie demonstration home. This is basically a two-storey design that features a self-contained apartment on each level, and separate basement storage-space. The home can be built as a stand-alone or linked in townhouse formations. It is easily converted to single-family homes at a later date.

Although the Charlie home was not aimed specifically at the lower threshold of affordability, the built-in apartment does reduce the net housing cost for young families, seniors or professionals.

The Charlie demonstration home also raised questions in the area of regulatory reform. It spurred the creation of the tripartite group that included the Federation of Canadian Municipalities, CHBA and the Canadian Housing and Renewal Association (CHRA). With funding from CMHC, this group produced a discussion paper on regulations related to housing affordability, choice, quality and innovation. The paper addressed eight major areas that had the potential to improve affordability and choice in housing: land-development standards, land-development approval processes, building approval processes, inspection processes, residential renovation, innovative housing and materials, industry-government relations, and public consultations and education.

Shortly after the release of this extensive discussion paper, the federal housing minister announced the $1.4 million ACT initiative – Affordability and Choice Today.

Through the McGill University Affordable Homes Program, members of our industry have also been active with the academic community. In May of 1990, McGill opened the Grow Home on its campus. The Grow Home is probably the least expensive demonstration project to date, providing 1000-square-foot, no-frills homes for construction costs in the $40,000 range, excluding land. The home offers a wide range of design choices and façades, and incorporates the sweat-equity concept on a limited basis. The major problem with the concept is its narrow design (which is based on a 14-foot width) and the resulting zoning impasse that it will meet in most communities. I think the latter problem can be solved with public education and considerable thought.

Another recent development with positive repercussions on the affordability front is the decision, by the Ontario Municipal Board, to endorse CHBA's challenge of a Mississauga City Council decision to overturn positive staff recommendations for a 52-unit demonstration project. The final approval of the 43-unit project has been billed a victory for first-time home buyers. No doubt, this ruling will establish a strong precedent for other municipalities throughout the country.

I think these few examples show the degree to which our industry is involved in the issue of affordable housing.

You will recall that I spoke earlier of a crisis in our industry. The word "crisis" has many interpretations. The Chinese render the word with two characters, one meaning danger, and the other meaning opportunity. The danger is certainly self-evident, but behind that dark cloud there's a silver lining. The heightened realization of our dilemma by all sectors has finally pushed this issue to the forefront, and the opportunity now exists to at least partially resolve some of the areas that adversely affect affordability.

Some months ago, I told my colleagues on the Canadian Home Builders' Association's Economic Research Committee that a builder in my home community was producing and selling 800-square-foot, two-bedroom homes on 40 serviced lots for $69,950. These homes aren't necessarily pretty. They are just one of ten homes offered by the builder, and are probably the least attractive of the group. But the homes are functional, energy efficient, and affordable – which is what's important.

This particular builder offers a 10 percent down payment option, or a 5 percent down payment and a 5 percent sweat-equity option. These homes sell like hotcakes in a slow market. The builder has sold 54 of the homes in about 2½ months, and is currently in the project's second phase, which will bring the total to 106 homes in 1990. That's a nice project in a market such as St. John's.

Everybody is happy with the project. The municipality is happy with the density they agreed to; the consumer is happy because he or she can now afford a new home; the financial institutions are happy because they have been able to place the money they so sorely wanted to place; and the builder is pleased with his margins.

Earlier in my presentation I spoke of the major impediments to affordable housing. Some of these impediments will require a lot of effort to

remove. High land costs are a symptom of the problem. Personal greed is something that I don't think can be overcome, but improvements in the supply-demand process, the release of public lands, and the streamlining of the approval process would certainly help. Better use of existing housing stocks, the conversion of high-density units and better use of the infrastructure through in-filling, and the redevelopment of commercial structures – all are viable alternatives.

Onerous and expensive subdivision-standards will be eased by the ACT program. Do we really need sidewalks on both sides of the street? Do we really need to design our storm sewers for that freak storm that comes once in 100 years? I think not.

Burdensome lot levies and other charges: this is something we're really keen on. An active media campaign organized by our industry will expose government at all levels for its attempts to milk the housing-industry cash card. It's time we stood up as an industry and really fought those new charges. By charting these charges and their added burden over time, the proposed CMHC affordability index should help in this area.

Lengthy approval processes can be streamlined. To ensure that projects go through the approval process quickly, some communities already set deadlines or assign co-ordinators.

Increasing labour and material costs: there is not much hope on this front. The relaxation of code requirements through the regulatory reform process should provide some help, but we must be ever-watchful of self-interest groups – such as the sprinkler advocates, who continue trying to add costs to housing.

On a brighter note, prefabrication, panelizing and modular designs are the wave of the future. They will certainly help to reduce labour costs, make housing production more efficient, and minimize the waste of materials.

Consumer-driven up-sizing and "goodies": I think this problem will clear itself up as couples and families realize that, to attain their first home, they must compromise. No-frills homes that can be improved over time are viable alternatives over the longer period. People must learn to make sacrifices. (I often deal with first-timers. They come in driving $26,000 Camaros, they have $2,000 stereo systems, and they've just had a $15,000 wedding. And they wonder why they can't afford a down payment on a new home. I started out differently: I built my first house, had a small wedding and an old car. I think a lot of us started out that way. But many young couples today really aren't prepared to make those sacrifices. Until they are, they will probably not get a foothold in the market.)

To solve the problems posed by interest rate instability and high debt loads, we need innovative financing mechanisms that provide long-term confidence. In 1990, we saw all sorts of projects where builders offered low interest rate mortgages and yet still haven't been able to sell their units. The problem is one of confidence. People don't have the confidence that their jobs are secure over the longer period. Until that confidence is restored by a healthy economy, I don't think we'll see much improvement. However, I think that solutions to these problems are forthcoming. High debt loads can be addressed by such options as the Charlie house, or by converting single-family homes into dual homes or two-apartment bungalows, which are very popular in the market.

NIMBYism and NIMTO (Not In My Term of Office) are real roadblocks. But recent successful challenges (such as the Mississauga case) and public-awareness campaigns will provide some relief. The public must learn that owning your own home doesn't give you the right to impede today's wave of first-time buyers.

In closing, let me say that our industry is certainly acting, and the situation isn't dismal. There are solutions available to our industry. I personally believe that, working in concert, we can and will resolve many of today's affordability problems.

THE DESIGN AND CONSTRUCTION OF AFFORDABLE HOUSING

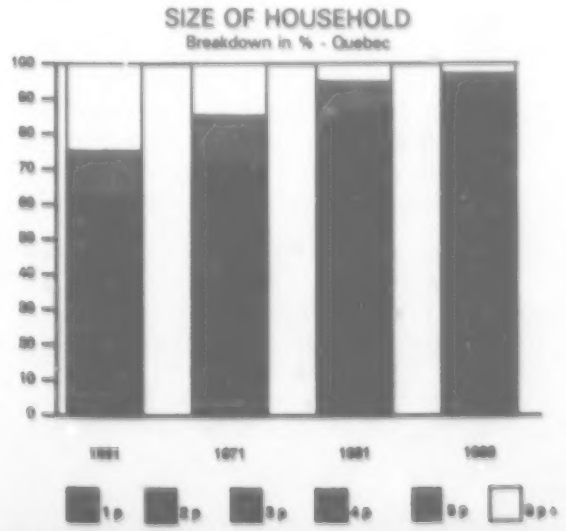
Jocelyn Duff
Architect, Research Analysis Division
Quebec Housing Corporation

We are living at a crucial point in the development of housing in Canada. New needs and economic requirements lead us to reflect on the nature of livable space. Everywhere in the Western world, people are experimenting with new forms of housing. New standards will certainly be formulated based on those experiments – standards that will shape future housing developments.

It has become increasingly evident that the concept of housing has not evolved at the same rate as that of needs. Households have specific financial and spatial requirements to which we must find solutions. How much longer can we follow the building standards of the past 40 years without blocking access to home ownership for a large number of households?

Today, a family with three children is a large family (**Figure 1**). If they have more than three children, families just do not have the means to become home owners, and they must find accommodation in the rental market. They may experience social discrimination. In multi-family buildings, they are sometimes not accepted by the neighbours and are subject to strict social control.

Figure 1



We also observe that the traditional family – namely, a father, a mother who stays home, and two children – is now in the minority. Community life is no longer organized as it was previously. Family life must adapt to many living environments that represent a multitude of behaviours and lifestyles, something not always possible without a certain amount of friction.

Yet many projects show that the way in which the units are designed can assist in meeting the needs of families with children: individual entrances, units on more than one level, increased acoustic insulation, access to backyards, flexible spaces and so on. But how can good housing design guarantee both quality and affordability?

Architects Jacquelie Leavitt and Troy West designed a row house project for single-parent families in Minneapolis (**Figure 2**). Each of the six 92 m^2 units has three levels. This separates domestic and professional spaces within the unit. The activities focus around a small yard, which facilitates the supervision of children. The living area, the eating area, the kitchen counters and the office all focus on this exterior space.

If desired, two of the units may be amalgamated to accommodate two single-parent families and four or more children. This amalgamated unit would also include a small unit for the elderly. What makes this arrangement so interesting is that it allows an adult to carry on a normal professional life while living alone with his or her children, and it allows for savings on baby-sitting costs.

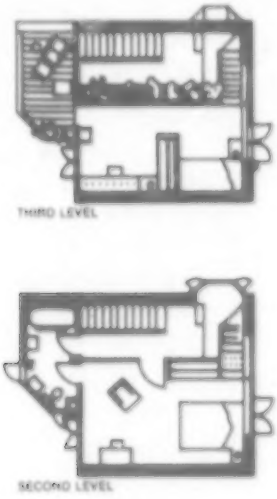


Figure 2

This project, which has received an award, was subsequently carried out by a private promoter. The promoter introduced many changes to the initial design (**Figure 3**).

The focus is no longer on the exterior yard. Instead, the yard opens onto the street and has become a main entranceway. The development no longer looks as private or safe as it did. This led us to reflect on the great difference that exists between project design and execution according to traditional procedures.

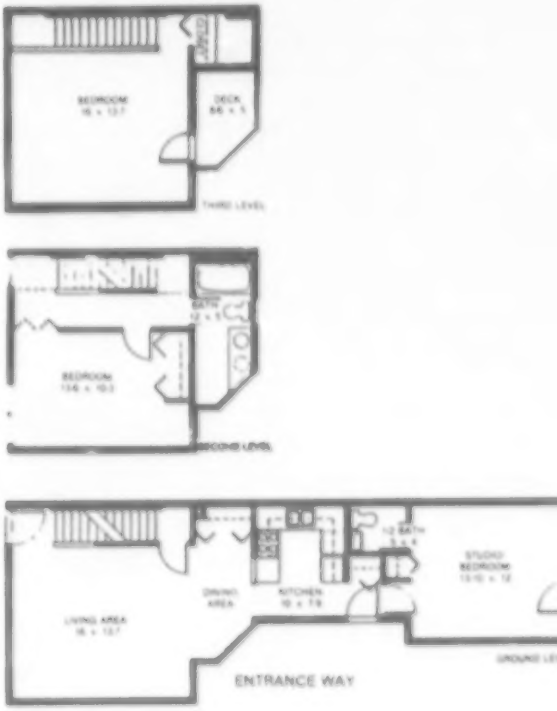


Figure 3

By examining other affordable housing experiments, we see that there are many ways of designing housing that will adequately meet the spatial needs of families in an affordable way.

First, we must expect that major conversions are likely within the units during the residents' lifetimes. Buyers will certainly appreciate homes that are easily adaptable, that don't require professional help or major investments. Houses that are easily adaptable encourage owners to remain in their own area and to develop a feeling of belonging. This also eliminates the stress on children, who must otherwise adapt to a new environment after moving. Buyers will also favour homes that can meet inter-household needs, as suggested by recent experiments involving granny flats, accessory apartments and multi-generation homes.

These notions – the adaptability of space and the complementarity of needs – were incorporated into a project executed in Calais, France, as part of the experimental Habitat '88 program (**Figure 4**).

A group of young people were making plans to purchase houses. However, they were unable to find units on the market that corresponded with their financial means and their anticipated spatial needs. On the other hand, elderly people whose units had become too large were being forced to move. The architect and his client, a non-profit housing corporation, decided to solve these problems by twinning the units; the elderly home owners rented out a unit to the young couple until the elderly couple was ready to sell the house. In the meantime, by using the neighbour's space, the dimensions of the units could be increased or reduced without the intervention of professionals. This change is made possible by a door that opens onto the additional space.

This type of project depends on twinning the residents whose needs are complementary, and at a time convenient to both parties.

Inter-generational home sharing can take other forms, particularly when it involves members of the same family wishing to live under one roof. The design of the unit must take into consideration the autonomy of each party.

In 1987, the "Atelier d'architecture et d'urbanisme Poirier Dépatie" of Montréal developed the three-generation house. This is a housing prototype that can be inserted between existing structures (**Figure 5**). The two upper levels are reserved for the parents and the children while the ground floor level is reserved for the grandparents. A common main entry on the ground floor provides a place where the three generations can mingle.

The three-generation house originates in the typical duplex and triplex structures found in core areas of Montréal, structures whose advantages are once again being recognized. This type of housing facilitates the transfer of ownership once the children have the financial means to acquire the building, at a time when the parents want to benefit from the equity they have accumulated during their lifetime.

Figure 4

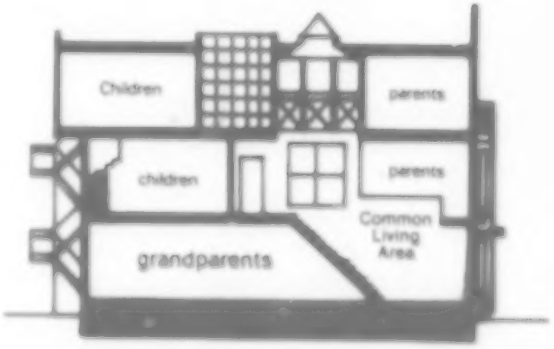


Figure 5

The reduction of livable space is often the strategy used for building affordable homes. Small-house models developed at various periods indicate that the shape of a cube is a morphology that meets the space rationalizations and housing costs in small- and medium-density environments **(Figure 6)**. The cube has several advantages. The most important are:

- the low-envelope surface/livable volume ratio;
- the small number of interior partitions;
- structural stability;
- the ease with which it can be located on various lots;
- a wide choice in selecting locations for windows and doors, given the identical widths of the façades.

Donald McDonald, an architect and contractor, built several prototypes of housing in San Francisco that he intended for first-time buyers. One of these consists of a structural lumber box (6 m^2) divided into two floors. The bedrooms are on the ground floor, while the living rooms are located under the sloping roof. The height of the roof makes it possible to recover a small additional space as a loft, which is accessible by a ladder and which can be used as a sleeping area, a games area, or for storage.

The loft creates a very interesting space, but its use as a sleeping area does not comply with security and fire prevention standards, especially with regard to access and dimensions. As is the case with other projects where regulations impede the obtaining of a building permit, this space will not appear on the official plans. When the residents move in, however, they will not hesitate to use this space according to their needs.

Municipal regulations also require a minimum lot size (which is rather large) per unit. Residents can solve this problem by becoming individual owners of their housing units, but co-owners of

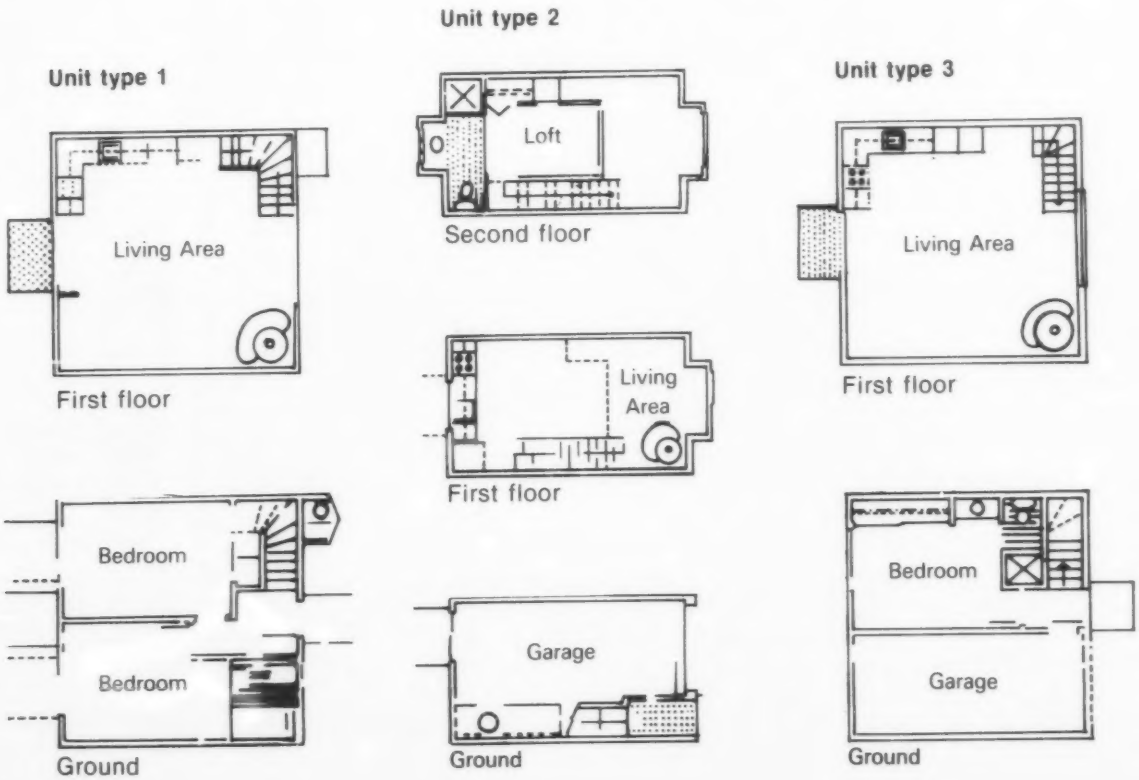


Figure 6

the undivided lot. In this way, the price per square metre of living space can be kept 25 percent lower than the average price for new houses.

Mr. McDonald fought tooth and nail with the municipality, and with certain groups of citizens, to have his project accepted. The construction of affordable units is not a cause that encourages the introduction of new housing forms in an existing sector.

In a high-density sector, the high price of land is the main factor influencing the shape of the units. The urban version of the affordable house does not represent a revolution in architecture. In the city, the square suburban bungalow is stretching out.

The optimum use of residential space is no game. Here are some ways designers can decrease construction costs.

1. Reduce the number of rooms.
2. Reduce the dimensions of rooms.
3. Change the relationship between the rooms.
4. Make the rooms more multi-functional.
5. Rationalize traffic areas.
6. Change the use of underused space.
7. Recover unused spaces.
8. Stack livable surfaces.

Reducing the dimensions of housing has evident effects on housing costs. But just how far can one go in decreasing the size of units and still live in them? In other words, does affordable housing necessarily mean lower quality? Many projects tend to prove the contrary. They comply with an elementary design principle – that is, to design functional spaces that take into consideration the residents' daily life.

Unnecessary or expensive details and accessories can be eliminated. Walls, other than those meeting at 90 degrees, do not increase the quality of the housing, especially if there is a shortage of storage space in the unit or if the separation between family activities is deficient.

Our consumer habits often make us forget the famous phrase "Less is more," and the fact that *space* is the only real housing luxury.

Certain extrinsic factors associated with the density of construction, such as the dimensions of the lot and the siting of the building, have a dominant influence on housing costs. As early as the project programming stage, the following possibilities should be examined.

1. Reducing the dimensions of excessively large lots and of the building area.
2. Reducing the set-backs.
3. Eliminating at least one of the lateral set-backs of the single-family detached house.
4. Reducing the façade's width in high-density areas.

Other measures could promote better control of housing costs.

The possibility of making current regulations more flexible should be studied. This would mean systematically evaluating the repercussions of each change on regulations, and on the project's cost and quality.

Second, the list of possible solutions should include the finding of new construction procedures that are more economical. The use of new construction technologies should be studied seriously. Incorporating a larger proportion of prefabricated elements presents certain advantages: it facilitates construction in the winter, allows for better quality control, decreases the assembly time, and reduces the risk of theft and vandalism on construction sites.

The organization of the on-site construction work could be improved to increase labour's productivity. This idea was used successfully in France's Habitat '88 program. Work on construction sites was based on the most rapid procedure to follow, and formed "quality circles" to minimize the time needed to correct errors. In certain cases, the builders provided their workers with performance premiums that were based on the number of hours saved.

In Canada, construction has the lowest productivity of all the industrial sectors. It would be advantageous for the industry to examine the above solution on an experimental basis. Unfortunately, the industry's highly regulated nature and the protectionist attitude of labour unions would tend to preclude the introduction of such measures in this country.

The 200 experimental operations executed in France under the Habitat '88 program produced a total of 10 000 units. No public funds were committed, since the assistance provided to the participating teams was in the form of technical support prior to, during and after the operation.

In Canada, the measures are more sporadic. At the federal level, for example, the Housing Technology Incentives Program provides grants for projects dealing with technological aspects of housing. The amount of these grants is relatively limited, considering the major investments required for research and for the development of new construction materials, products or systems.

The Innovative Housing Grants Program set up by the Alberta Municipal Affairs Department is very dynamic. The grants can be up to three times larger than those provided under the federal program. They apply not only to the technological aspects of housing, but also to housing design and urban planning.

In Quebec, a study financed jointly by the Quebec Housing Corporation and CMHC is currently under way to determine the general performance of new construction technologies. The Quebec Housing Corporation will be launching a proposal call for the execution of three social housing projects for families, using new construction technologies. These units will be built using factory-produced structural panels incorporating thermal insulation. For these demonstration projects, we have developed an evaluation procedure that will make it possible to more accurately gauge performance.

In the area of university research, the Quebec Housing Corporation is contributing to the financing of McGill University's affordable housing program. The private and university sectors have pooled their resources to come up with solutions to the problem of affordability.

The recent ACT program is another example of a joint undertaking. The initiators of the program have decided to target it at the local level. This is where the greatest changes can be made in existing by-laws and where the strongest reservations about row housing are expressed.

This does not mean that we should be overly pleased that the government seems to be withdrawing from housing, forcing other groups to take over. Public authorities have an important role to play as intermediaries between the various parties involved in the housing field. Governments remain important agents of change, because they support the industry and promote research that improves the quality of housing.

THE DESIGN AND CONSTRUCTION OF AFFORDABLE HOUSING

Avi Friedman
Professor, Centre for Affordable Housing
McGill University

Today, young people cannot buy homes in major urban centres. If in the 1950s it took 25 percent of one family member's annual income to support a house, today it takes about 40 or 50 percent of two incomes to support the very same house.

We have seen statistics about how our society has changed. All these changes – more single people, more single-parent families – influence the way we use the house. Rush hours start at six or seven o'clock in the morning, and we have to design for that. Technology influences the way we use the kitchen, the way we use the house in general. The size of families has shrunk, but we continue to build larger homes.

To support an average house in Montréal, a family needs to earn about $80,000. Not many families can do that. With the Grow Home project, the objective was to reduce the cost of the house, and thus make it affordable for young families earning $40,000.

In most cities, the main component influencing housing costs is the cost of land and infrastructure. One of our objectives was to reduce the cost of this component. So we designed a townhouse with a 14-foot façade. On a typical suburban lot of 60 x 100 feet, four affordable Grow Homes can be built.

The infrastructure – the sewers, the sidewalks – of a house in Montréal costs $300 per linear foot. The cost of the infrastructure for the single-family house is about $18,000. For the Grow Home, the cost is $4,200.

Traditionally in Canada, young families buy a starter home with the idea of selling it and upgrading to a better home. We therefore believe that maintaining high quality is very important. The Grow Home has high-quality construction. We reduced size and simplified the complexity of the construction. No miracles. We simply used common sense.

The house offers 1000 square feet of floor space, 500 square feet per floor (**Figure 1**).

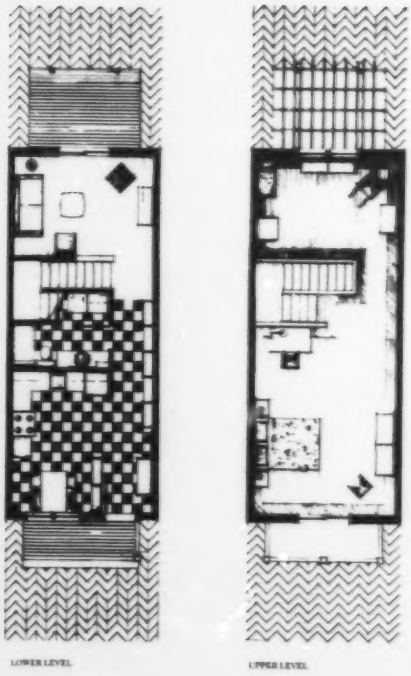


Figure 1

Entering the house, you walk into the kitchen and dining area. Right behind the kitchen, to maintain efficiency of space and plumbing, we have the bathroom. There is a bedroom or a sitting room that can be converted to a guest room in the future. The second floor is open space.

There is a master bedroom, and a nursery for a small child. Perhaps the young family previously used this space as a study, then upgraded it to a nursery.

We also believe that we have, today, a wide range of users and that we cannot impose on buyers the kind of house in which they should live. They should choose a home that is appropriate to their lifestyle. We therefore designed a smaller base-unit that offers a range of options. If garages are important to you, you can have a garage. If you don't need a garage, you can use the space for a playroom or for another bedroom or utility room. If desirable, another room in the attic can be introduced. We offer a range of interior and exterior options from which buyers can choose. If they have money and would like a balcony, they can have a balcony; alternatively, they can have a porch.

We used the space very efficiently. We used do-it-yourself components. People can start with cupboards without doors. Later, they can buy doors for $100 and install them. Why should people mortgage cupboards or closets when they don't have to?

We used vinyl tile. Today, architects like to design with marble. Vinyl tiles are nice to start with. They are easy to install and inexpensive.

On the right side of the corridor from the kitchen we designed storage cupboards. Again, why invest in complex closets if we can get cupboards and put them together ourselves as our storage needs arise? If you want closets you can get them, but I would suggest that young families can start without them.

In the bathroom you have a washer and dryer. You have a bathtub that you can upgrade.

This is the living room or sitting room. When the mother-in-law comes to visit, she can stay here. This can also be a family room.

In the beginning, if the attic is not finished, the family can sleep there. We didn't invent the idea. We just looked at the history books and saw how houses were built in the United States in the 1950s. This is how we did it. We sold houses with unfinished attics and it was extremely successful. Hundreds of thousands of families are living in them today. These houses, wherever they may be, are not affordable today.

The bedroom area is open, wide. In the future you can have another bathroom in that space; you can have the plumbing coming right up from the bottom and you can have two rooms, if you want to divide it.

We suggest a range of options in different parts of the country, and different materials. Prices range from $37,000 all the way to a model we call the Club, which is priced at $57,000.

A media article about our work suggested that there's no innovation in the Grow Home concept. It takes three to fifteen years to introduce a new idea to the home-building industry. People are lining up for houses today; they want houses *now*. To suggest that houses be built of plastic or metal is not a good solution. No builder will take chances on such houses. They want houses that can be built tomorrow. We cater to the home-building industry. Only one out of ten inventions will stay in the market.

These houses are panelized. In that case, most of the work would be done in the factory. The house can be delivered and assembled by two people in ten days.

Municipal officials who object to this form of housing should go to Amsterdam. In Amsterdam, people who did not have housing solutions started to live in barges. The City of Amsterdam now accepts these barges as a form of housing, and supplies them with electricity, gas and water.

We worked with a developer in San Burno de Montarville, and demonstrated that housing can be made affordable and beautiful in many municipalities. Yes, I know that it is a long process of preparation. I know that it is a mountain of work. But we have a challenge. We have to continue to provide the best housing in the world. So we work with developers. We now have a housing project in front of a park in Montréal, and we have another project in Rivière des Prairies.

About 10 000 people visited the Grow Home, and we asked people to fill out a questionnaire. More than 630 people (mostly young people) answered the questionnaire, which asked what they thought about the house. We asked, "Would you be willing to live in a 1000-square-foot home?" Seventy-five percent said yes. We asked if they were prepared to finish the upper part themselves. Ninety-three percent said, "Yes, for the opportunity to be a home-owner." We asked if they thought the house was a good buy. Sixty-nine percent said they thought it was a good bargain. Then we asked what they thought of the home's appearance. Ninety-four percent said they loved it. And sixty-five percent believed that the quality of the finish was excellent.

I'm sure the Grow Home is not the ultimate solution. I do not suggest that this home is good for Nova Scotia or Toronto. I'm suggesting that this home is one solution, one that can be modified and changed. I was pleasantly surprised when I began receiving phone calls from developers and builders from across the country who wanted to build Grow Homes. It seems as inevitable as it is appropriate.

THE DESIGN AND CONSTRUCTION OF AFFORDABLE HOUSING

Thomas E. Nutt-Powell
Consultant, On-Site Insight
Boston, Massachusetts

I would like to introduce you to some of the possible ways that manufactured housing can address the problem of affordability.

When you build on-site, you build the foundation first and then the outer structure. Then you fill in the interior partitions and try to co-ordinate the trades to bring in plumbing, wiring, drywall, painting, carpentry, flooring and so forth. Then you finish the outside of the structure.

By comparison, manufactured housing (by which I mean housing that's built in a plant) is built from the inside out. The three-dimensional modules are shipped to the site and assembled.

Inside the housing manufacturing plant, the home's floors are built first. Added to them are the interior partitions and plumbing (light PVC plastic). The wiring is added next. All the construction tasks are standard and repetitive, which enables builders to reduce labour costs by hiring semi-skilled workers, as opposed to hiring journeymen or trades labourers. Multiple activities occur simultaneously without tradespeople bumping into each other. For greatest efficiency, each activity can be co-ordinated to occur at the appropriate time along the construction line. Work can proceed without interruptions caused by weather. The standardization of tasks results in reduced construction time and labour costs.

With manufactured housing, you also know in advance exactly how much material you are going to need and when you are going to need it. This minimizes waste. By building in a plant, you minimize losses caused by vandalism.

Siting a manufactured house

When building with modules, the foundation must be constructed to precise tolerances. For greatest efficiency, it should be ready by the time the modules are completed. You can lose every nickel you save at the plant if you haven't anticipated problems and applied the same rationalization at the site as in the plant.

In one project, the units were available for sale at a cost of 15 percent less than if they had been built on-site.

Mobile houses and affordability

Now I will utter two words that conjure up all kinds of horrible notions in most people's minds, particularly at the municipal level: mobile home. God forbid that we should think about mobile homes as a possible solution to the affordability crisis. But in fact, mobile homes are a particularly efficient way to manufacture housing.

One of the issues associated with the cost of housing is the cost of land. Mobile home parks in the U.S. and Canada were the earliest form of planned unit development. They have fairly high densities. Most provide recreational and social services, as well as infrastructure (roads, water, sewers and so forth) outside of tax dollars – much as condominium communities do.

We normally think of mobile homes as metal-sided, flat-roofed, green-and-white eyesores. These certainly exist. But they have enabled people in the U.S. to own and occupy a home for less than $20,000 (full purchase price) in a way that minimizes the need for any sort of public subsidy.

The U.S. has approximately 6 million households living in manufactured mobile homes. About half of them are in parks. Virtually all of these people (about half are seniors) would otherwise be in some form of public housing. As an interesting aside, the U.S. has only about 1.8 million public housing units. The cost of public housing (new construction) is in the neighbourhood of $80,000 to $90,000. The per-unit cost is roughly half as much if one uses funds from the housing authority to create mobile home parks, as they have done in King's County

near Seattle. The housing authority became the dealer in this instance, and sold the homes to seniors at cost. The authority then became the "landlord" for the park space only, with park rents subsidized.

Mobile home parks need not be unattractive. It is a matter of good design and good thinking. Most parks provide a community centre, associated services, and recreational areas.

Land costs and affordability

Reducing the cost of a home's physical structure will itself only reduce less than half of its end price. The other critical factor is the price of land. Land improvement and lot size are cost factors. Thus, it is reasonable to ask, "Do we need sidewalks on both sides of the street? Do we need curbs? What sort of drainage do we need? How wide should the roads be? At what level of construction should they be built?" Roads constitute a very substantial and increasing cost. In Montgomery County, Maryland, for example, the people decided that because this was a community of elderly persons and of minimal traffic, the community therefore wouldn't need curbs or sidewalks. To them, this was an acceptable solution to the problem of affordability.

We should also be asking, "Do we have reasonable densities, and appropriate distribution of density across the land in a way that is environmentally sensitive and that meets density objectives?"

A mobile home park located in a rural area of Massachusetts, a park with fairly standard lot-sizes, has included some green space – in this case, a pond. There are pathways through and around the development. The site was carefully managed to retain the natural vegetation.

As a result of talking with some of my former students who have worked in northern Canada, I know that providing a foundation for a home can be a major expense. A manufactured mobile home comes with the foundation built into the unit, and this yields a cost saving – particularly if there is no need for a basement. Mobile homes built to CSA standards, or to the HUD code in the U.S., are built on a steel support frame. Originally, this frame was used to ease transportation of the home, but it has evolved to become the home's basic foundation system. Depending on the setup, the unit arrives on a steel frame and is set on a concrete pad.

Mobile homes and aesthetic "fit"

Some people believe that mobiles are not very adaptable. They think that, because the homes (in most aspects) come complete, it is difficult to make changes. The truth is quite the opposite. People who own modular or mobile homes are quite inventive about how they respond to their evolving needs.

We spoke earlier of lot sizing. The standard permissible over-the-road mobile home width in the U.S. is 14 feet. A couple of states will allow 16 feet. This is a standard modular layout: 14 feet in width, approximately 60 or 66 feet in length, which puts it into the range of 1000 square feet.

In a lot of 25 x 100 feet in southern California, the owners have used the mobile home side-wall as part of a fence, which makes it a zero-lot line home. All the home's windows look out onto the street or patio area. It's a large, two-bedroom home with living room, kitchen and two baths. When it went on the market in Pomona, California, this home cost $79,000. That was in 1985, when a comparable conventional unit on a similar lot was selling for $125,000.

Conclusion

I have suggested that manufactured housing is not a panacea. But it is a solution, because it is a way to achieve cost-effective construction. I suggest that these same criteria of co-ordinating trades and the construction sequence be applied to the soft costs of construction, just as they are to the hard costs.

In the early to mid-1980s, HUD's Joint Venture for Affordable Housing demonstrated that there was very little margin within which to reduce construction costs. They showed that the competition in the marketplace, particularly in the medium and lower ends, does a fairly effective job of reducing the cost of a structure. The real costs that we are adding to the affordability crunch have to do with soft costs. It has to do with designing new every time out, with architect's fees, with retaining high-priced engineers and consultants like me. It has to do with the extraordinary fees of lawyers and banks with the cost of financing, and with protracted regulatory- review times. The amount of time between project initiation and completion had grown so long that it became the largest single factor in a home's final, overall price. Despite

everything we do to reduce the cost of housing through more efficient and economical construction methods and layouts, costs continue to rise because of mounting soft costs.

We need to tackle the problem at both ends – hard and soft costs. Only then can we bring affordable housing to those who need it most.

NEW FINANCIAL MECHANISMS FOR AFFORDABLE HOUSING

Greg Ramm
Executive Director
Institute of Community Economics
Greenfield, Massachusetts

I want to start with a disclaimer. I don't come offering solutions to the Canadian housing crisis. I do come to tell some stories of our experiences working in the U.S. (and a modest amount in Canada), and I hope there will be some lessons from our work that you might apply to your particular circumstances.

Tom Carter, in his plenary presentation, listed a variety of innovative techniques that the non-profit sector and others might apply to address the housing crisis and provide affordable housing to young families. The first three models he mentioned – community land trusts, equity trust funds and community-developed loan funds or revolving loan funds – were developed by the Institute of Community Economics (ICE). I'm going to focus my remarks on how the third model – community-development loan funds – can be used as a method for funding and financing affordable housing.

I'll start by describing the model and how it works. The ICE operates a revolving loan fund that accepts loan investments on a variety of terms from individuals, churches and foundations. Then we turn around and lend that money back to non-profit groups and co-operatives that are developing affordable housing. This fund was created in 1980, with a very modest start – $10,000 from a friend of the Institute. We were working with a group in Cincinnati, Ohio, that needed money for a down payment on their first project, so we borrowed the money from the individual and lent it, and that is how our loan fund got started. Ten years later we have made more than 250 loans, totalling more than $16 million in projects in 25 states.

I would like to say a little more about where our capital comes from. Our loan fund is currently capitalized at $10 million. Ninety percent of our investors or lenders to the fund are individuals. What this model offers is an opportunity to try to draw and access the capital that has typically been available for community development. We do receive some funds from religious institutions, and in particular from religious orders – particular orders of Catholic women. They are especially receptive to investing in affordable housing. We also have several large program-related investments from foundations. We offer lenders the ability to set their own terms when they invest. They say how much money, for how long, and at what interest rate. If we feel that we can use that money in the groups we are working with, we will take it.

In consideration of the borrowers' needs, about twenty percent of our lenders ask for no interest. Many do ask for more or less what they would get from a savings account or from a money-market fund. We do not offer what the stock market might return, but we do pay a modest interest.

We then turn around and lend that money back to community groups on a variety of terms. We match the money that we have with a group's needs. Some groups we work with can afford to pay market-rate interest, but they can't get access to financing because of the variety of prejudices and other reasons why the financial institutions will not lend them money. The other group simply needs money because the project is either not affordable nor feasible for the target population without very low interest money. We do not have a federal reserve or some other national bank or source of funds on which to draw. We are only able to lend money for the term that we have it. Three years at 5 percent. We can't lend it back out for any more than three years or anything less than 5 percent.

One might ask, "How can you afford affordable housing with such short-term money?" One of the things we do is lend on a longer term, but with a balloon payment at the end of

that time. We would make a three-year loan on a thirty-year payment schedule, with a balloon payment due at the end of the three years. Some say this is simply setting up a group for disaster – but in fact, it allows the group to develop a credit history and to build some equity into the project, so that at the end of those several years, they can then go to a conventional financial institution and get those funds.

Growth of the loan fund has, in many ways, paralleled the growth of the socially responsible investment movement in the U.S. and in other parts of the world. The most prominent example of socially responsible investment is the divestment campaign directed at South Africa, one in which many universities, companies, and individuals have decided to sell their stock in corporations that are involved in South Africa. A whole industry has developed to set up screens for South Africa and nuclear weapons producers, and for a host of other social ills. What happens, though, is that the money is taken out of Coca-Cola, for example, and invested in Pepsi. There really aren't Fortune 500 companies that are building affordable housing for homeless people. It's not their job to do it.

We offer a spectre of the socially responsible investment movement: community investment, which allows people to invest money, to get their principal back with some interest they wanted, and to support community needs. Very early, we began to recognize that the $10 million we have is only a small drop in the bucket for a very large problem. In the early 1980s, we began working with other regional groups in metropolitan areas to establish other community loan funds. We bring together coalitions of representative borrow groups, community development people and other representatives of lender groups, and people with the technical expertise to organize community loan funds. Recently, I have been working with a group in Montréal, the Grand Plateau neighbourhood, to organize community loan funds. This is now up and running, and has $200,000 in investments – most of which comes from individuals who have one foundation-related investment. They have one union investment. This is actually the first union investment in a community loan fund that I'm aware of. This is a group that grew out of organized efforts of the local community.

The Montréal Community Loan Fund, the ICE, and other loan funds that we helped establish are part of the National Association of Community Loan Funds. We intended the word National to imply broad scope, not to limit it. We may have to think about renaming it because of the addition of our first Canadian member. The National Association of Community Loan Funds, based in Philadelphia, has 35 member loan-funds that run on this model. They are now managing more than $50 million in capital. Through their work, these funds bring a particular philosophy of development. The Montréal group spent a tremendous amount of time – several years, I think – spurring the local communities to think about what community development means to us, and what we want it to mean.

At the ICE, we've concluded that all economic development is clearly not community development, that we have to think about what we want that will provide long-term benefits for our communities. One of the root causes of poverty is not simply the lack of dollars. We see a lot of dollars flow into these communities. The problem is, they flow right back into the hands of absentee owners, landlords, business owners and owners of the financial institutions. They are not owned and controlled by the communities. It's a sieve or rusty bucket, where it all pours in and right back out. We feel it is critical to develop models that promote local control and ownership in and by low-income communities. It is one of the reasons why, with the limited funds that we have available in our loan fund, we only finance those affordable housing projects that are non-speculative, that provide for permanent affordability – like the community land-trust models, limited equity co-operatives, and (for those who can't get into an ownership situation) non-profit rental organizations.

One of the reasons we feel permanent affordability is such a critical issue is that we've seen the disasters created when only a certain number of years are built into the project's affordability. Right now, the United States is facing a tremendous crisis, because the government subsidized affordable housing projects with only 20-year restrictions on them if the developers do certain things. Because of these expiring use-restrictions, there are now several hundred thousand units of housing at risk. So, our loan funding is intended to promote the notion that, when public and private subsidy does go to create affordable housing, the housing should be permanently affordable, and not returned to the speculate market.

One of the things we've done to address the problems, and to make these projects work, is to try to develop innovative underwriting standards. A bank will look at the numbers: if you are spending more than 32.5 percent of your income on your housing needs, you are not bankable. We have seen (and I'm sure the figures prove this) that many poor families are paying much more than 30 percent of their income for substandard, horrible housing – that they have no security of tenure and no tenant rights. If a family has been paying 50 percent of its income for slum housing, why not let them pay 40 percent for decent housing over which they have some control? It is these kinds of underwriting and flexibility criteria that have allowed us to make some of these projects work.

We also want to challenge some of the conventional notions of risk. During the 1980s, we lent $16 million, and we've lost $2,500 to the projects that conventional wisdom said were not fundable. At the same time, we are seeing the American savings and loan industry collapse because many investments were made to wealthy individuals – and that was not supposed to be risky, whereas lending to low-income families and community projects and co-operatives is risky.

Some of the projects we work with, I will admit, do take a lot of work to put financing deals together. It takes a lot of technical assistance. They are not cookie-cutter deals, the way most bankers would like to see them. These loans do pay back. We like to challenge the question "What is risk?" And we like to challenge financial institutions to think about some of these items. We have been able to help them make a track record. We provide the take-out financing. We have been able to say, "Look, we made this loan to this group, they have done fine in making their monthly payments for the last two years. We think it is bankable, why don't you take it over?" That's the carrot approach. We also have the stick approach: the Community Reinvestment Act, which is a federal law that requires banks to invest in the local communities.

I will finish with a couple of comments about what it takes to set up a community loan fund, and what makes a community loan fund viable. It usually involves bringing together individuals from the potential-lenders community, whether they be foundations, unions, individual investors, or people from the religious community. It involves linking them with the people from the borrower section, then bringing together people with the technical expertise to do this. In our experience, we have found that it is simply not enough to get the peop. vith the financial expertise and finances to sit together and organize a fund, and to then begin looking for loans, without close ties to the local community. Without close ties to community development projects, you will not be able to successfully evaluate what is a good project and what isn't.

I would like to say, however, that these innovative models are really, in terms of addressing the problem, just a drop in the bucket. The problem in the U.S. is large and growing. The problem in Canada is large and growing. What these models do is to challenge the conventional wisdom about poverty, and about what works and what doesn't; the models try to inspire some innovative policy. I believe we will address this problem only with a larger societal commitment to providing decent and affordable housing to all citizens, not by asking the third sector to do what the rest of us are unable to. Ultimately, by organizing and empowering low-income communities, we will finally solve some of these problems.

NEW FINANCIAL MECHANISMS FOR AFFORDABLE HOUSING

Claire Piché-Cyr
Planning Officer
City of Montréal

The municipal role in providing affordable units

To clearly identify the municipal role in the production of affordable housing for young families, it is important not only to understand the factors of affordability, but also to put them in the perspective of local residential development. That is why, before introducing the City of Montréal's present programs, I would like to go through with you the various factors of affordability related to the city's economic, social and cultural history.

Why should affordability be a municipal concern?

As of 1990, the urbanization of Montréal was still not completed; there were still vacant lots that could accommodate some 100 000 units. However, in 1988-89, the suburbs (which are increasingly far from the centre of the city and are separated from each other by expressways) recorded large increases in the number of single-family starts. This sprawling development has expensive consequences.

On the one hand, with only 25 percent of all Montréal households being home-owners, compared with 55 percent for Quebec, a good number of families in Montréal are deprived of the possibility of accumulating tax-free savings and of controlling their living environment, both of which are facilitated by home ownership. On the other hand, the abandonment of urbanized districts by young families affects the economic future of Montréal. As an example, I would like to point out the movement of certain industries toward the suburbs, and the under-utilization of facilities and services. Schools must be shut down, whereas in the suburbs schools are being built. Traffic in the metro system decreases, whereas congestion on the roads is getting worse.

TABLE 1
The Seventies
Factors Promoting Homeownership

Relative cost of buying/renting	Promotion of savings through registered homeownership savings plans
	Inflationary forecasts
	Low real interest rates
	Non-taxable capital gains (on principal residence)
Household solvency	Generous federal and provincial programs
	Higher real household income
	Relatively low land prices: dezoning of agricultural lands and construction of highways
Availability of products in keeping with young families' expectations	Improvement of financing products
	Great number of young families
	The suburbs: coveted living environment

The City of Montréal is aware that affordable housing for young families must not constitute a residual product of these economic activities; it is a determinant product thereof, since it contributes to the optimum use of existing services and infrastructures, to balanced economic population growth, and to equitable operations throughout the region.

What are the affordability factors to be considered for home ownership?

I have classed them in three major categories, namely: the expenses involved in becoming a home-owner, the solvency of households in relation to purchase prices, and the availability of products that meet the expectations of young families.

As for this last factor: housing and its location shape a family's social identity and living style, and insofar as demand means making a choice of products by type, district and price, supply must have the capacity to convert its products to match them with the needs of each segment of the market. Thus, for housing to be affordable for families in urban areas, a supply of quality products, clearly differentiated and adapted to needs, is necessary.

Residential development in Montréal has been very erratic. From 1960 to 1980, Montréal's population decreased by more than 10 percent. This decrease was to the suburbs' advantage, particularly during the 1970s. The suburbs were successful in attracting 20-to-44-year-old households who became owners of single-family houses. The number of housing starts in Montréal represented barely 13 percent of those in the whole metropolitan region, whereas, from a population and housing-unit point of view, Montréal represented around 35 percent of the whole region.

The deficient level of residential construction in Montréal can be attributed to the difficulties of building in an urban development: high lot costs, reduced lot supplies, and traditional rental production that's not well adapted to the new aspirations of young families.

The exodus to the suburbs coincided with a marked progression in the status of home-owners among Québécois households, most of whom were tenants before 1976. For them, housing is no longer just a roof; it is now a place where they feel securely at home, a place they can control. It is also a form of savings. This attitude was encouraged by certain affordability factors: accelerated inflation (which protects home ownership from a decrease in purchasing power); the weakness of real interest rates; federal and provincial programs that in the main promoted home ownership; the increase in disposable income; the large supply of lots that could be urbanized; better availability of mortgage financing; and a high incidence of young families.

If Montréal was not in a position to benefit from the positive economic cycle between 1970 and 1977, the story was quite different between 1983 and 1987. This change was due to the implementation of a vast residential construction program that the City launched in 1979: Operation 20 000 Units. This program consisted of supplying construction companies, on a competitive basis, with lots that had been assembled by the City and that were in its real estate bank. The terms and conditions of payment were very tempting. The objective of Operation 20 000 Units was attained in eight years (1979 to 1987). These units represent 40 percent of the number of housing starts in Montréal. During this period, not only did the number of building starts double in relation to the 1970s, but above all they accounted for more than one third of total metropolitan production. Moreover, resident home-owner units, on average, accounted for 43 percent of the housing starts in the city, compared with less than 25 percent in the early 1970s.

TABLE 2
The Eighties
Factors Promoting Urban Homeownership

Relative costs of buying/renting	Marked and generalized increase in homeownership
Household solvency	1982-89: Period of continuous economic growth, with moderate inflation
Availability of products in keeping with young families' expectations	Increase in the number of singles and young couples with no children Construction of condominiums Revitalization of downtown cores

The highlight of the operation was the construction of condominium units. Since 1983, condominiums have become the most popular housing solution on the Montréal market for resident home-owners. The type of condominium units produced met the needs of young couples without children, and the needs of singles who had traditionally always been tenants. Condominiums for them are a means of saving and protecting their earnings from income tax. Thus, they will be able to build up the equity required to make a second purchase that will be closer to the lifestyle of couples with children. These movements within the market show that, by matching residential products with the various segments of the market, we can reduce the problem of affordability in urban areas.

For a given segment of the population, the specific characteristics desired for a product also correspond with first-time buyers' different perceptions of housing. For example, during the same period, the revitalization of the central core by young tenant households became a more pronounced phenomenon. These couples attach

TABLE 3
The Nineties
Factors Promoting Urban Homeownership

Relative costs of buying/renting	Strong real interest rates
	Volatile interest rates
	Return on savings penalized by income tax
	Prohibitive cost of mortgage insurance
	Disappearance of long-term mortgages
Household solvency with respect to purchase prices	Recession
	Precariousness of jobs
	Household confidence in the economy
Availability of products in keeping with young families' expectations	Availability of luxury products
	Limited product types
	Negative perceptions of urban family life

more importance to the charm of the unit and to their familiarity with the district than to the modern comfort and parking facilities associated with new units.

Operation 20 000 Units shows some shortcomings regarding the adaptation of products for mid-income young families with children. The program was not targeted; instead, we left it to private enterprise to choose its own production. Given that a large number of small firms producing less than 100 units per year contributed up to 92 percent of the production in Montréal, their reaction to the very differentiated and constantly changing expectations of the various segments of the markets is deficient and late.

The problems and solutions concerning affordability for young families that are to be studied in the 1990s are in keeping with this history of residential development – and with the evolution in affordability factors – that I have just outlined.

Certain fundamental imbalances in the Canadian economy could reduce the number of people becoming home-owners. In particular, I would point to the public debt, which in 1990 penalized borrowers by pushing real interest rates to 10 percent.

I would also point to the variability of interest rates in the 1980s, which could have discouraged households from becoming home-owners. When one is renegotiating a mortgage loan, whether after six months, three years or five years, the applicable interest rate increasingly becomes a game of chance.

Undoubtedly, to reduce their vulnerability vis-à-vis these imbalances, first-time buyers come on the market with a larger equity. Surveys have shown that, between 1986 and 1988, the average portion of the down payment on the acquisition price for first-time buyers in Quebec increased from 18 to 23 percent for new single-family products, and from 22 to 27 percent for new condominium units.

Acquisition fees represent a stumbling block for young tenant families wanting to get into the housing market. This obstacle is all the more crucial because savings earnings have been taxable since the disappearance of the Registered Home Ownership Savings Plans. To help reduce this burden, the Quebec government launched the Down Payment Assistance for Home Ownership Program in May of 1988. The program is intended for first-time buyers who have at least two children. The advantage for these families is that the government will take charge of the interest rates for seven years for up to 10 percent of the mortgage or $7,000, whichever is less.

Initially, the program was not too popular. But after its criteria were broadened in May of 1989 to make families with only one child eligible, it really took off throughout the province. In January of 1990, some 17 000 certificates were issued and approximately 20 percent of the beneficiaries apparently acquired new housing units. In spite of all this, less than 5 percent of the beneficiaries purchased their units in Montréal: on the one hand, the stock of existing housing is 75 percent rental in Montréal; and on the other hand, given the housing ceiling-cost of $100,000 (coupled with the fact that couples without children are ineligible), the program does not function in Montréal – primarily because of the higher cost of land.

Since April of 1990, the ceiling price has been increased to $110,000, which, considering interest rates, will hopefully make the program less restrictive in Montréal.

Our current economic situation early in the 1990s is very different from the period of growth that prevailed while the Operation 20 000 Units program was in operation. In spite of this growth, there's been a widening gap since 1983 between the price of new houses for first-time purchasers and the average family income: the

price/income ratio in the metropolitan region increased from 1.67 in 1983 to 2.13 in 1988. In spite of all this, the solvency of tenant families remains good, since the lenders require that this ratio be under 2.20 with interest rates of 12 percent.

If urban housing is to no longer be perceived as a service for which one pays rent, but rather as a durable good that one can acquire and in which one can invest savings, the City of Montréal has an important role to assume.

In December of 1989, Montréal set up a Real Estate Tax Credit Program providing annual amounts of $1000, up to a maximum of $5000. The five-year/$5000 program is intended for first-time buyers of new houses, the individual value of which do not exceed $100,000, excluding the lot's price. The tax credit represents a grant of $83 per month for occupancy fees during the first five years, which is the most difficult period for first-time buyers.

This program was designed to supplement the Provincial Down Payment Assistance for Home Ownership Program, which allows for joint interventions on the market. The eligibility criteria do not add any extra constraint to the criteria used for the provincial program, and they are simple to apply. In August of 1990, 261 applications from beneficiaries were filed. An annual average of 460 was targeted (we recognized that during the first year the number could be lower). Many builders changed the design of their products to make them eligible under the program. The data for the first eight months of the program are encouraging:

- 77 percent of applicants are family households;
- 76 percent are under 35 years of age;
- the program is neutral on the product, with the purchase price varying between $75,000 and $120,000;
- among families with children, 73 percent have children under 12 years of age; 88 percent have also benefited from the provincial program.

If the product approach has shown us that the single-family house in the suburbs sells well, the client approach teaches us that Montréal can reach young families who are ready to compromise on the lot size – either to be closer to their work, services and urban transit, to avoid maintaining a lot while having access to a safe play area, or to obtain a well-designed layout within a unit located in an existing and familiar sector. The demographic transformations, as we have seen with young couples without children, produce a very differentiated segmentation of family client groups looking for a very distinct lifestyle. By matching each of these market opportunities with categories of properties and prices, we can make the decision to become a home-owner easier in urban areas in lower-income sectors.

To get promoters to change their habit of building expensive units, to create a climate conducive to the development of affordable residential products, and to improve the manner in which supply reacts to demand, the City of Montréal has adopted two intervention strategies.

The first consists of setting up demonstration projects to promote initiatives that encourage the design of innovative and affordable projects that meet the needs of families. There are plans for a project site with approximately 60 units. The project will be the subject of a design competition and may be executed in stages. Other residual lots will be identified and will be the subject of competitions in which concepts, techniques and types of management will be judged for their ability to meet the aspirations of young families, and for their ability to reduce costs. If these projects suggest a need to modify by-laws, the by-laws may be reformulated. All of this will be accompanied by a communications plan that stresses the features of those products that comply with the characteristics and expectations of the households.

Second, to follow up our Operation 20 000 Units, the City will set up a residential development program. This program will continue to promote quality architecture and construction, but it will also aim to build affordable units for various target groups. The program will function jointly with the five-year/$5000 Real Estate Tax Credit Program.

These two measures will make it possible to increase the supply of land for affordable projects, improve the documentation on projects and their adaptation to the market, reduce financing expenses for the lots, cut down on turnaround times, and reduce administrative complications prior to the approval of projects.

On the demand side, the City is attempting to improve the image of family life in urban areas. To this end, it has prepared press files to reduce fears vis-à-vis the impact of housing prices in urban areas.

As an example, living in the suburbs involves numerous hidden costs, particularly transportation costs. The average cost of a second automobile, which is not an uncommon possession, represents monthly payments on a $58,000 mortgage (apart from the time spent travelling). Through this initial communication plan, the City wants the funds spent on transportation to be rechanneled toward residential real estate investments.

In conclusion, the market potential for young, first-time buyers is very good in Montréal. In 1986, more than 3200 young families with children, and more than 6200 young couples without children, were tenants in Montréal who had incomes exceeding $40,000. These figures double if we include families with incomes exceeding $30,000.

The municipal contribution toward making home ownership more affordable is essential, timely and strategic. It cannot be expected, however, that the municipality will contribute any more than it can afford. The City of Montréal is hampered by its limited taxation capacity and by a very complex housing problem, the reasons for which go far beyond its territory.

The governments must assume the essential aspect of the measures taken to ensure greater equity. Without their commitment, municipal interventions will always be fragile.

NEW FINANCIAL MECHANISMS FOR AFFORDABLE HOUSING

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The general topic for this workshop is: new financial mechanisms for affordable housing. I feel that this is really a misnomer when applied to public-private joint ventures. Public-private joint ventures have produced large affordable-housing developments. Some have produced affordable housing developments at less capital cost than private sector projects and even government-sponsored programs. Strictly speaking, however, these are not financial mechanisms like mortgages, mortgage-backed securities, or syndications – and they are no longer new.

So, if I am not here to talk about new financial mechanisms, why am I here? I hope to address the following questions, either directly or indirectly.

- What is a public-private joint venture, and what can it be?
- Why should the public sector get involved?
- With whom and how should the public proceed?
- Is the joint venture a complicated procedure?
- Is it time-consuming or costly?
- What are the benefits, if any?
- What are the deterrents, if any?
- What are the vehicles?
- What resources are required?
- How have joint ventures evolved over the years?
- Has the concept been successful?
- How does the economy affect joint ventures and their desirability?
- What is next?

When I said I would answer some of these questions indirectly, I meant that I would do so by recounting my years of involvement in joint ventures.

I shall begin by defining a few terms.

A joint venture is a sharing of risk, talent, monies, obligations, duties and networks among two or more entities. Joint ventures are undertaken to achieve goals, though not all goals need be common to participants.

Public-private joint ventures are those in which one of the entities is a public body or quasi-public body, and the other is from the private sector. The private sector group can be a non-profit organization. It does not have to be what we normally think of as being the private sector (i.e., a developer or general contractor). It can be anybody who is not of the public nature. The meshing is not unlike that in a marriage. Not all goals in a marriage are identical. Not all marriages run smoothly. Traditionally, the engagement period weeds out problems; if they are not resolved, the marriage is never consummated. In joint ventures, the engagement period is the negotiation period, and the resolving is of the different goals, business terms and ultimate choice of structure.

The meshing of goals drives the structure, not vice versa. The structure is reflected in the end contract. Even situations as common as a long-term agreement of purchase and sale, in which the vendor takes back the mortgage, fit this definition. It is a sharing of risk.

The structure can take the form of a long- or short-term participating venture, mortgage or lease, a separation of responsibilities. The abilities of partners could drive the meshing of goals and lead to structures through partnerships, corporations, limited partnerships, mortgages, leases or any combination of those structures.

The structure in its legal documentation is the marriage contract. It does not drive the arrangement; the arrangement drives it. There is no formula for striking a joint venture or arrangement.

A public body need not have land. A covenant, land, building knowledge, and money are required to produce the product. One of these items may or may not be necessary. From the public sector standpoint, a desire to share the risk of a project with the private sector may be sufficient. Perhaps all the public body needs to offer is its covenant.

For any public sector entity that desires to get into joint ventures, the first step is to define the goals. The entity must also establish:

- what it is willing to offer;
- the resources it needs;
- the resources it has;
- how the entity can efficiently carry out its goals;
- the necessary internal organizations; and
- what is required to form a joint venture with the private sector.

Internal organization is essential to a public body, just as it is to the public sector.

At this point, a few examples of successful joint ventures would be appropriate. People often ask me, "How many joint ventures have been done across Canada to produce affordable housing?" I'm not a statistical person, and I don't have that answer. But I can tell you that, between 1981 and 1989, I was personally involved with and completed six different and individual joint ventures. Today my firm and I are involved in six separate transactions that, hopefully, should come to fruition within the next six months.

Historically, these deals were few and slow-moving. Suddenly, they have become very, very popular.

In the early 1980s, which was a time of economic recession, I was acting for a client who specialized in real estate "workouts." In a workout, institutions are required to take back real estate product that may or may not be built, leased or sold.

In 1981, CMHC had a large problem. It had a piece of land upon which the shell of a building had been built. As a result of their mortgage insurance, they were forced to take over that project. The half-built building required more money to finish than any sale would generate. In other words, the amount of the mortgage loan that had been dispersed on this development, for the land and the shell, was greater than the development's market price at that time.

With the recession, the land itself could not generate enough money on a sale to make CMHC whole in the monies that it had expended. They had tried all sorts of sales procedures. Along the way they encountered my client, who approached them with a plan.

They both had to accept that it would require up to five years to make CMHC whole, because the economy would have to turn around within that time. The shell would have to be built and sold. My client undertook to build and sell the building, and to arrange all financing, provided the risk would be limited to the project. My client proposed to participate in the profits and take a salary along the way, but only out of the financing that he would be able to arrange through the project. Beyond the lands component, CMHC would have no risk whatsoever. CMHC's position at that time would be the same as in the joint venture.

My client wanted one more benefit: the tax benefits that are inherent in any real estate transaction. With this in mind, a structure of a sale and in a participating mortgage was arrived at. The project was successful, and CMHC made a good profit, as did my client. CMHC told us this had been the first public-private joint venture in Canada.

Shortly thereafter, the City of Toronto commissioned a housing study. Its objectives were to:

- provide alternative methods for its housing arm, CityHome;
- produce affordable housing through means other than government-sponsored programs; and
- plan for the day when there would be no more programs.

I think that housing-assistance programs are going to be around for a while, at least in Ontario. However, the statutes governing CityHome, and its desire to not take too much risk, permitted a structure that involved a ground lease and the transference of tax benefits to a small, ancillary, commercial portion of the project. This resulted in a reduction of the total project's capital costs, and in a residential product whose rental rate was below market.

Two developments were carried out according to this model, and both were successful. The joint venture partner who ended up with the tax benefits and a limited interest in the commercial project portion was a businessman. His main business was construction.

A refinement of this type of joint venture is a syndication to provide tax benefits to individuals, as opposed to one corporate entity. This approach has been used by the City of Ottawa to generate low-cost money on existing residential projects for much-needed repairs and renovations.

Metropolitan Toronto, as opposed to the City of Toronto, wanted to develop a brand new transportation facility on a piece of its land. The facility was estimated to cost $10 million, and

Metro Toronto did not want to expend these monies. The project wasn't budgeted for, and it had no justification other than a desire to upgrade the transportation facilities. Politically, there was no ground swell to force the politicians to do anything.

Metropolitan Toronto invited tenders and offered tax incentives. Ultimately, a joint venture was struck. The structure consisted of a participating lease and transference of tax benefits. The development will involve the construction of a new facility with one million square feet of office space.

There was no cost to Metropolitan Toronto. Funds generated through rent participation will add more than $100 million in revenue over 60 years. This money can be allocated to affordable housing. All of these benefits accrue to Metro without its relinquishing ownership of the land. So Metro Toronto kept its land, built a new facility, got money, and is off to the races.

The City of Toronto then entered into a joint venture with a private developer, through a tender process on a high-profile site – a complete city block in the core of downtown Toronto. This development was carried out through a mixture of participating joint venture, lease and outright sale. It will produce:

- 500 mixed-market and affordable housing units of all types;
- 40 000 square feet of commercial space;
- an office component; and
- a church.

The joint venture involves the sale of a portion of the block through a participating debenture (with full City participation in the proceeds). All profits accruing to the City of Toronto are earmarked for affordable housing. Profits are estimated to accrue over a four-year span, assuming the present economy continues.

The common elements in all these joint ventures are: public land, tax benefits, minimal public risk, non-performing assets, and a profit motive for the public sector.

As the deals and projects increased in size, the public sector's co-ventures increased in sophistication. Higher-profile developers started approaching the City of Toronto, Metro Toronto, and the provincial government – even before the economy turned. The private sector's hesitation disappeared. Projects have been completed successfully. The Province of Ontario, Metropolitan Toronto, the Toronto Harbour Commission, the St. Lawrence Seaway Regional Municipality, and the City of Ottawa have all entered into joint venture developments.

There has been a tremendous change since the time when only governments owned the land and only a small segment of the private real estate market was interested in these deals. We are now dealing with transactions in which the private sector is offering its lands and its expertise to the public sector. The motivation is no longer just tax benefits and short-term gains, as was the case in the early and mid-1980s. Now, these deals are driven by long-term business relationships and by real sharing of risk and expertise.

Certainly, the present economy is driving the private sector to a limited or larger degree, depending on the magnitude of its land holdings. The meshing of the public and private sectors is a long-term potential that is being realized.

One of the joint ventures that we are presently negotiating involves two downtown city blocks. Potentially, 3000 units will be produced, of which 1000 will be affordable. The project will also produce a mini-city or mini-community. It will be totally mixed – commercial space, office space and all forms of housing. The concept was generated by a private sector firm that could not sell its block. The block was originally earmarked for high-priced condominiums. My clients approached the City of Toronto, which owns the next block of land. The two formed an arrangement to transform the two blocks into 1000 affordable units. And, the relationship will continue when the project is completed; the joint venture will acquire more property.

These types of deals have tremendous benefits for the public sector. Today, the public sector faces enormous financial demands. Most public sector bodies are therefore striving to increase the financial benefits from their most unproductive assets without privatizing them. They realize that, in certain areas (such as in land development), they do not have the expertise that exists in the private sector. They do not wish to expend more of the public purse.

Governments also realize that political and economic goals can be met without jeopardizing assets. The public sector lacks the organization needed to move quickly to obtain sufficient financing and apply that financing to construction. Further, the larger the bureaucracies, the more the checks and balances. All of these are justified in the public sector, but they are unjustified in business ventures that require immediate decisions and actions.

If the goals are to produce housing efficiently and economically without relying on government loans, and to reap financial benefits from unproductive assets, public-private joint ventures should be considered.

Government programs do not permit non-residential spaces to be developed, other than ancillary and minor ones. The example I gave is not ancillary and minor. CMHC would not fund it; the provinces would not fund it; and it doesn't fit into the programs.

Public-private joint ventures would permit such a development, and would also permit the use of the commercial or non-residential portion. Revenues can be used to fund affordable housing, either directly in that project or in another.

These are the deterrents to transactions between the public and private sectors:

- the importance of the legal structures that are required by each public body;
- the internal reorganization that is required;
- the natural hesitancy of the established bureaucracy; and
- the required shift of operational methods.

And, aside from the potential risks and time pressures, time is required on an ongoing basis.

These are the factors affecting the joint venture's ultimate structure:

- the quality and quantity of the goals;
- the public sector desire to be active or passive;
- the magnitude of the undertaking; and
- the quality of the personnel involved.

The above factors affect the structure because they determine the magnitude of risk to be undertaken and the time to be spent by the public body in the joint venture.

It is true that consultants' fees are enormous. Over the years, however, the public body that forms a joint venture for the first or second time becomes more familiar with the process. There is an increase in the number and size of projects in which it has been – and is willing to be – involved. An economy of scale develops. When the initial consulting costs are spread over the number of projects that the costs actually benefit, the numbers are not as remarkable as they might appear in an individual small project.

Over the years, there's been an increase in the level of comfort with joint ventures. The scale of the ventures has increased, as has the desire to spend more time and take greater risks.

Let's remember that each public body has its own goals in entering into a joint venture. Most public bodies that have vast tracts of land do not have as a goal the production of affordable housing. A particular public body may have its land under the control of a department that has absolutely no interest in affordable housing.

From a political standpoint, one of the first steps is to create an interest in affordable housing.

In a time of uncertainty, inflation, and monetary restraints, both the real estate industry and public bodies must be creative. Public bodies must be willing to take some risks and explore all avenues available with the private sector.

I believe that public-private joint ventures are here to stay. They are not going away. I believe refinements are required, as is more education for both sectors. There has to be more positive participation from politicians who, at any time, can really upset the desire of public sector bureaucracies to enter into this field.

APPROPRIATE RESPONSES TO THE CHANGING NEEDS OF THE FAMILY

Scott Sutherland
Member of the Executive
Ontario Home Builders' Association

My topic is how made-to-convert houses can, with a minimum of disruption and cost, respond to changing family size, income, space and social needs. As chairman of the CHARLIE demonstration-house project, which was built and displayed for the Canadian Home Builders' National Conference in Hamilton in 1989, I was directly involved in the design and implementation of what we described as "alternative housing for the future." But before I explain some of this home's innovative features, let me first explain the need for this alternative form of housing.

In developing the idea for the CHARLIE house, we focused on the changing needs of housing in Canada, particularly in our own area – Hamilton. We decided that we also had an obligation to inform the general public about the need to change its vision of housing as our society changes. As planners and developers, we must produce homes to meet the needs of single parents, the elderly, professional couples, empty-nesters and small families – all of whom have different lifestyles. To meet these needs, we must consider housing options that are affordable, attractive and acceptable to the community.

The CHARLIE house was designed to meet the needs of first-time home buyers, young professionals and young families. It is not a solution for all our affordability problems, but it does put us on the right track and gives us some alternatives to discuss.

In designing CHARLIE, our primary goal was to create a form of housing that would not only meet the needs of today's families, but that would be flexible enough to ensure that they'd have the ability to expand from within as their needs arose.

One of the major problems facing today's home buyer is the debt load. CHARLIE was designed to tackle this problem. If a young couple purchased this unit, which contains approximately 2000 square feet on two floors, they could convert the second floor to a rental unit and use the income to offset their mortgage payments. When they'd require more space in which to raise their families, they could take over the second floor for their personal use. When the children would leave home, the upper unit could be converted back to rental use, or to quarters for grandparents or other family members – thus giving all parties the privacy and independence they require.

The CHARLIE house can also be useful to young professionals. It appears that a lot of young people are getting into the market fairly young. They may not have much of a down payment, but they are making very good money – $30,000 or $40,000 per year. Yet they still cannot afford this type of housing. Now, if two such young people came together and pooled their resources – by dividing up the mortgage or through some other innovative financial scheme – they could each own one half of a unit such as the CHARLIE home. This is very important in Hamilton, where the rental vacancy rate is so low, and where, because of the government's rent controls, rental units are not being built.

Statistics tell us that we now have enough housing stock in this country to meet the demands of the standard family. New developments must change their focus to meet the needs of the new market groups, such as those I mentioned earlier. Otherwise, the new developments will, in the years to come, face declining market sales and market shares.

One of the key design elements built into the CHARLIE house is the ease of conversion from a two-family residence to a single-family residence, or vice versa. (A large percentage of our current

housing stock is very costly to convert, mainly due to the fact that up until a couple of years ago, the need for this type of flexibiiity in a house was not viewed as a significant factor in the layout and construction of a new home.) The key to implementation in this type of home is what I call the conversion factor. In the CHARLIE house, such items as future plumbing and electrical requirements, fire separations between floors, heating systems and entry ways are designed and built as part of the original structure. When the conversion occurs, it is a simple matter of rearranging the non-load-bearing walls within the unit, and of carrying out the associated decorating and other minor adjustments normally required for a small renovation.

By removing the wall at the top of the stairs on the upper floor, a kitchen could easily be installed. The study and bedroom become a dining and living room, as shown on the lower floor. With some minor wall modifications on the lower level and in the basement, we now have two completely separate living compartments.

In 1989, when this project was undertaken, we estimated that complete conversion of this house from one to two families would cost approximately $15,000 to $20,000, a good part of which is taken by the new kitchen. The price would depend on the extent of the conversion and on the specifications of the finishing materials used, but it would be considerably cheaper than trying to attempt this on an existing 2000-square-foot home that was built in the 1960s or 1970s. I have done a lot of renovating and converting in the Burlington area, and I can tell you that the cost of doing the same type of thing in that size of home can run to between $40,000 and $50,000 or more.

One problem often encountered in conversions is that, because of structural limitations, you cannot achieve what you want. Most people who have converted single-family residences into two-family residences have suffered because of this. The CHARLIE house, because it was built from the beginning to be convertible, is very easy and inexpensive to convert.

A house may go through one or more conversions in its lifetime. If planned properly from the beginning, such items as kitchen cabinets, floor coverings and doors could be removed and stored until needed again. This would obviously help reduce the initial capital expenditure, and would spread it over two or three conversions.

The CHARLIE house is also very flexible. Depending on the land available, our prototype floor plan could be constructed as a row/town home, simply by rearranging the entry stairs and lining up the individual units. It can also be built in 3- or 4-floor stacked configurations, with or without underground parking. In some areas of the country today, land costs are responsible for almost 50 percent of a home's total sale price. To help keep prices down, we need to look at innovative land use and planning techniques. Without sacrificing quality and design, we have to be able to utilize space in a more efficient manner, in smaller units.

The interior layout of the CHARLIE house was carefully planned. Part of our concept was to maximize the use of available floor space. Careful placement of doorways provides good traffic flow within the unit. On the second floor, cathedral ceilings (which are not all that expensive if built into the design) provide volume and create a feeling of more space. The use of skylights provides light in rooms that would otherwise remain windowless. By eliminating unnecessary walls and by angling walls between rooms, the unit is opened up and de-compartmentalized. Space-saving techniques – such as ceiling-mounted heating and air conditioning systems, stackable washer/dryers, closet organizers, and small yet efficient kitchens – all add up to a very livable and workable environment.

To complete the overall package, the interior decoration of smaller units is also very important. The use of bright colours, mirrors and window coverings, as well as the balance and placement of furniture, all need to be taken into consideration to achieve the illusion of space. In many homes built today, interior and exterior desig,1 and the planning of the furniture and the decorating are not usually done in tandem. The builder builds the home and the new occupants decorate it. In the case of smaller units, I think it is very important to consider the entire process from start to finish. That is what we did with the CHARLIE house.

An integral part of the CHARLIE project was to invite private sector groups and the public to view the home and give their comments. Our local association and CMHC arranged to show our product to many building officials and planners on a one-on-one basis. The goal was to acquaint these people with the concept and to stimulate discussion about the need for reforms within our local and municipal governments, so that these types of units can be built.

The home was also viewed by many of the development-industry members who attended our national building conference. We wanted to give them a better insight into where our markets are heading, and some direction as to the type of product that will be required to meet future needs.

Most important, the general public was given a chance to provide its comments and reactions. Almost 10 000 individuals toured CHARLIE, and the feedback we received was very encouraging. Many people found that the design, and the use of space within the home, suited their needs. Many people asked when units like these would be built in our area. Our industry has been somewhat negligent in ascertaining home buyers' needs and in acting accordingly.

As far as some of the technical aspects of construction are concerned (I won't get too technical here), fire codes will have to be completely re-examined with respect to the spacial separations and limiting distances between dwelling units. Current fire codes require that only a certain amount of glass be exposed on each side of the building. The closer together you put the units, the less space you are allowed for glass. The days of the wide lot are gone. Instead of stacking rooms side by side along the front of a lot, you now have to go from front to back, which usually means that two, three or four rooms are lined up behind each other. The spacial separations needed in these homes restrict the number of windows we can install, which naturally can make it difficult to provide ample sunlight for rooms. This is one area where we have to look at the laws in existence. To achieve our required spacial separation in the CHARLIE house, we used the combination of an in-unit domestic sprinkler system and fire-rated glass panels.

Because we could not install regular windows, we had to look at a sprinkler system. I am not an advocate of sprinkler systems in homes. Their value has not been proven to me. But, in order to achieve the required openings that we want, I think a sprinkler system does have merit in these types of buildings. The same is true of fire-rated glass-block panels. It is amazing how we tend to go back to things that we used long ago, and suddenly they once again become key elements of design. Glass block is a case in point. It was popular in the 1950s and early '60s, and is starting to make its comeback.

By using these two items, we are able to achieve the necessary fire protection and bring natural lighting into the unit.

Another feature that is making a comeback is balloon framing. In this type of construction, the outside walls support the floor system and roof, allowing you to move any of the interior walls. Many of the alternative housing designs are balloon-framed.

Floor structures are another key area. A normal two-storey home has no sound insulation between the floors. In newer homes and prototype homes, we are looking at different techniques to soundproof the floors between units.

Just because we are building smaller units does not mean that they should not be energy efficient. One of the key elements of housing in the future will be energy costs. The home that we built in Hamilton was an R-2000 (low energy-use) home. Many people who visited the home asked why we spent the money for an R-2000. The answer is that, first, it is not that expensive or difficult if you plan for it from the start. Second, many of the changes being introduced into the building code now make it reasonable to build an R-2000 home. And third, we were trying to keep the house's overall maintenance costs down to a minimum.

Keeping in mind that land densities will have to be increased to make these units more affordable, it is important that both national and provincial building codes be updated and refined to clarify some of the grey areas that, with regard to certain construction standards, are currently open to interpretation. Only through the construction of prototype homes, such as this one, can we pinpoint the problems and work together to find workable solutions. The national and Ontario building codes have been revised, or are being revised, to correct some of the problems that we ran into when we built CHARLIE in 1988. I'm not saying that the CHARLIE project was alone responsible for these changes, but I believe that it certainly helped.

As our markets and demographics change, we will encounter many other obstacles to the creation of new housing forms that Canadians now require, and that they will require in the years to come. The NIMBY (Not In My Back Yard) attitude is pervasive. Surrounding residences hinder the implementation of new ideas and concepts, especially in-fill and intensification situations. The need for clear, consistent and speedier approvals would go a long way toward decreasing land and building costs. To allow this type of housing to be built,

municipal zoning by-laws – and, in some cases, entire official plans – may have to be amended.

Another restriction on our CHARLIE concept is what I call ownership rights. Under current regulations in Ontario, the upper floor of CHARLIE, if sold separately, would have to be registered as a condominium corporation – a process that is complex, time-consuming and expensive. Easier forms of registration, through simple reference plans that could easily be registered on title, would make buying a unit like CHARLIE a simpler, less expensive venture.

The future is now for housing concepts such as CHARLIE. Governments, planners, developers and builders can no longer take a wait-and-see attitude. If we don't start looking at the needs of Canadians now, and if we don't start putting the mechanisms in place to provide the necessary housing at an affordable price, we are going to see a crisis of gigantic proportions in our housing industry.

CHARLIE is only one of the many innovative designs that are being looked at by different levels of government and the private sector. The potential is unlimited. We have shown that design and quality need not be sacrificed along with space. Most important, we have shown that government and the private sector can work together to meet the housing needs of all Canadians.

APPROPRIATE RESPONSES TO THE CHANGING NEEDS OF THE FAMILY

Marcellion Hudon
Director
Groupe conseil en développement d'habitation
Montréal

When we talk about access to affordable housing for families, we most often mean financial access to housing that is suitable, that is large enough, and that meets the family's physical needs. In an ideal world, everybody would own his or her own dwelling. In the real world, this is just not the case.

A house is more than the place where one lives, it is more than a monetary investment. It's a place where there is interaction with the environment, with the community, with neighbours. This isn't news; everybody knows this. Even people with houses in the suburbs, people who bought the idea of owning a personal, enclosed, living area ... these people quickly realized there were neighbours beside them, that they had to endure the smoke coming from their neighbour's barbecue, and that there comes a time when fences may have to be erected. The same applies to people who bought condominiums and who were told that peace and quiet were guaranteed. The first thing they noticed was that they had neighbours, and that they would have to interact with them.

The urbanization phenomenon reflects the innate need of men and women to pool their resources not only as a way of meeting their need for shelter (the need to put their stamp on their personal dwelling), but also as a way of meeting the need for security, social exchange, and culture. When we assist technical resource groups in general, our approach at the Centre de développement et d'habitation is based on this observation. Throughout history, there have always existed people who could not – and would not even want to – become home-owners. In this regard, we decided to promote housing co-operatives and non-profit agencies. This is a conscious choice on our part. We believe that housing co-operatives offer the best possibility for meeting the extremely broad range of needs of those with whom we are working.

As a technical resource group, we are on the front line. We work directly with the people who are experiencing problems. We work with them to try to identify their needs. This is usually rather easy, especially when pertaining to needs that are not strictly physical. When a group comes to see us (the people come to us, not vice versa), we try to outline with them a concrete project that, as far as possible, will meet all their needs. Once an initial outline is developed, we use all available resources to create a product that the client really wants. (I am talking in terms of both the physical product and the "community" product that surrounds the project.) To this end, we use government programs – which, unfortunately, are not necessarily adapted to the vast majority of problems.

We twist and turn the programs until we find the means to get maximum benefit from them. When we have "milked" the programs dry, we then start looking elsewhere. We look to find other tools, such as community financing, private foundations, and religious foundations. When we run into a dead end, other needs arise and we stubbornly attempt to push further. We attempt to find or create new resources.

As I have already mentioned, part of the problem with housing is the layout. Working with the client, we use animation techniques to identify the best possible layout for meeting the client's needs. This is a very difficult exercise, because, for the person on the street, reading a plan and conceptualizing a layout are really demanding, especially when we are dealing with several parties at the same time; and, the plans are two-dimensional.

For this exercise we use different techniques, one of which has proven very effective when done in conjunction with a recycling project in which we converted an old school into housing units. We took a standard room and made divisions in the room to give people an idea of the real dimensions. This experience was very profitable, and we are trying to use it as often as possible. It becomes a little more difficult in the case of new construction, but we are working on it.

There is another technique we use: computer animation. Since we are limited to a screen, which is two-dimensional, this technique is less effective than modelling. But it nevertheless provides people with some idea of what the unit would look like.

It is not my intention to become theoretical; I am merely trying to illustrate my comments using projects that we have already executed, or that we're in the process of executing. One particular project, the Maison Chance (Luck House) project, is the result of the collective efforts of animators, community organizers, and solicitors working with young single-parent mothers and heads of households. We are talking about people who are between 16 and 23 years old. These people have a serious problem. Because they have children and are alone, they are having enormous difficulties getting out of their predicament. They have difficulty in finding child care; they can't go to school. They have very little income, and very little chance of improving their condition.

The goal of the project was, first and foremost, to provide appropriate shelter – a suitable unit at an affordable price. To do this, we used government programs designed for low-income clients. The other component of the project was to help these women find schools, and to direct them toward courses. To this end, we provided on-site animators to help the women follow through with their efforts. As far as the children were concerned, provisions were made for a child care facility within the project.

This was when the problem began. Since a government program existed, the low-income housing project was relatively simple to build. As for the animation program, which provides support to these people, nothing existed on the provincial level in Quebec. There is absolutely nothing at all. And as for the child care centre, there is a government program, but it is completely independent of the housing aspect (which I mentioned earlier).

Our function was to bring all these people together, to see if it was possible to execute the project as a whole. Everybody was interested, everybody thought it was a good idea and that we should do it (although the Quebec Housing Corporation limits itself strictly to the housing aspect). As for the child care centre, the child care department said, "Yes, we are ready to finance it, except that we lack money for this project, so it will be necessary to organize financing campaigns." The organizations turned to the foundations, who said, "Yes, we're interested, except that we have to know where the child care department is putting the money." Everyone seemed to be interested in the project, but they also found good reasons to not participate. As a result, we ended up without any child care facility in the project.

This is a problem that we have experienced. We have produced enough housing, the families have moved in, everybody is happy, but there is one particular aspect that's still missing and that we're still working toward: a child care facility. Nevertheless, the project clearly demonstrated to the Quebec Housing Corporation that there was more to housing than the mere physical aspect. As a result, the provincial government decided in 1990 to make its housing-assistance program more comprehensive. It is now theoretically possible to execute projects with this type of service built into the design.

Another project we're attempting to execute is called the Accolade (Embrace) project. The idea came from an association of parents – the direct users of the units. The project was intended as a mixed occupancy, meaning that it included single-parent families, some of which included a physically or mentally disabled person. The goal was to provide support to the single parent or family, particularly those with a disabled person in the home. Already, a number of volunteer organizations and public organizations support the project. They claim that it's a good idea and that it meets a real need. We will try to execute this project.

Another group of people with whom we are working and who have special needs are the ethnic immigrants. In large cities such as Montréal, Toronto and Vancouver, there has been a big influx of immigrants during the past few years, and that causes integration problems in these communities. We have spent a lot of time with ethnic communities, particularly the Laotian community. These people are newly arrived

immigrants; most have been political refugees for the past 15 or 20 years.

One thing that stands out about the Laotian community is the number of children people have. We are accustomed to what one could call the standard family. Canadian families have actually decreased in size, and the production of housing units has adapted to this new need. But many new immigrants do not follow this trend. They need larger units with more bedrooms. The layout of housing does not necessarily reflect cultural needs. These units need to be designed to accommodate families with more children. After working in this area for some time, we realized that these units already exist. In Montréal, we already have units to accommodate these clients. We have old units that were built long ago. They have become obsolete and need to be renovated. We try to build new ones, but, because the budgets are very limited, this is very difficult to do. Here again, by trying to promote this type of project, governments are investing special effort this year, except that land and construction costs are so high that it is very hard to succeed in this endeavour.

The reflection of particular ethnic characteristics in the layout of the housing units often provokes very interesting discussions. We are dealing with much more personal concepts than safety standards and other related logistical elements. People get accustomed to a type of building, to a particular model. For example, when we are asked what design we want, we may say we need an enclosed kitchen with a door and window. That's what we are used to, and that's how we want our kitchens. The problem resides in the fact that, with the models we are now developing, we are having great difficulty trying to provide the features people want. For example, Laotians have a habit of always leaving their boots and shoes outside; they never walk on the floors in shoes. For them, it would be heretical. Thus, not being smart enough at the beginning to foresee this, we ended up with projects in which the stairways and corridors were full of boots and shoes. These are small details that have to be explained to CMHC or to the Quebec Housing Corporation, which are the funding agencies.

There are also families that, as far as possible, prefer to have their living area clearly separated from the bedrooms. This is going to require changes in the way that we design corridors. Here again, we've had good discussions (in particular with CMHC) about the presence of corridors. Providing corridors means that space is lost, but on the other hand this is what people are looking for. They are looking for houses that are horizontally longer than standard models, and, in order to have a distinct separation between the living and sleeping area, they are ready to sacrifice the width of their housing unit.

The major objective of these people is to transmit their culture, or at least a minimum of their culture, to their children. This is very difficult to do. If they do not stick close together, they end up being assimilated into Quebec culture. But they also want their children to integrate into the wider community. This is why they prefer small projects. When I speak of small projects, I am talking about 15-to-25-unit projects. I'm aware that, in provinces outside Quebec, they talk about bigger projects. Often, 50-, 100- and 200-unit projects are the norm, but we really need 15-to-25-unit projects, even if they are more difficult to execute on a financial level.

These are the types of problems we usually experience with the various communities. There is a financial problem, because there is a need for more housing; there is a soundproofing problem, because we are dealing with families that have many children. When there are two to three children per unit in a 20-unit project, you have a lot of children. Unlike other provinces, we have to build highrise apartment buildings. This means additional common corridors and additional common stairways – and that complicates the situation enormously.

Another problem is that of establishing relations with the ethnic communities. Various groups need to be approached in various ways. They have their own way of operating, and sometimes we have to adapt. One way to communicate with them is to hire people from these communities, as we do. We have quite a number of people from ethnic communities working in the Montréal office.

In conclusion – although this is such a vast subject that I wonder how I can conclude when there are so many other topics I want to talk about – I think that our approach makes long-term solutions possible, solutions benefitting both Canadian and Québécois communities. This is something that is going to take a lot of time, a lot of understanding, and a lot of money. We are operating in a market milieu, a very difficult

milieu. We are the ones who must build bridges between the market milieu and the groups to whom the market cannot respond. This is the role of the third sector: to act as a bridge between the public and private sectors, between two different ways of operating. We must try to reconcile both parties.

But it is not easy. The withdrawal of the state, which we have observed in the past few years, is no doubt our major concern. We believe that everyone is responsible to work to form communities that are in a position to help each other. It is absolutely essential to understand that governments cannot completely withdraw from this sphere without very serious long-term consequences.

APPROPRIATE RESPONSES TO THE FAMILY'S CHANGING NEEDS

Susan Anderson
Senior Social Planner
City of Vancouver

By the turn of the century, Vancouver will see the development of high-density neighbourhoods on the north and south shores of the downtown peninsula. City policy requires that, of the housing units built in Cold Harbour and False Creek, 25 percent be suitable for families with young children. When these areas are built up, there will be almost 3000 units of high-density family housing. Of these units, 40 percent will be targeted to low-income families. Community amenities such as parks, schools, day-care centres and recreational facilities will also be provided by the developers.

The City's policy on household mix for these new neighbourhoods is based on the following principles: that healthy communities include a mix of household types, and that people of all ages and incomes should have the opportunity to live downtown. The decision to develop family housing in these high-density urban situations was made after considerable deliberation and debate. We had struggled with the same issues in the 1970s in South False Creek, and had determined that, if the appropriate community amenities were provided, and if the design was sensitive to the needs of children and their parents, we could then develop livable family housing in high densities.

In 1978, we outlined our findings in the first edition of our guidelines for housing families in high densities. These guidelines were considered appropriate for townhouse and low-rise developments ranging from 30 to 80 units per acre. To determine if they were still valid at the higher densities being proposed for the more urban downtown neighbourhoods, we decided to review them in light of current research and experience. We carried out an extensive literature search, and then undertook a survey of residents in six high-density family projects, all more than 80 units per acre. These developments had been built in the 1980s. We concluded that the basic principles were still valid, but that, in some situations, different design solutions were required to respond to the complexities of higher densities.

We have been applying the updated guidelines both to new downtown neighbourhoods and to individual high-density family projects, all of which are non-market projects located throughout the city. Not unexpectedly, we have encountered a few anomalies, and some minor revisions are being considered.

There are 18 guidelines. They cover the development of family-housing projects from the planning stage to unit design. Although quantitative standards are given in some cases, they are provided mostly for guidance and are usually not requirements. We encourage creative responses to meet our objectives, and we recognize that trade-offs are inevitable.

I'd like to give you an overview of the guidelines and illustrate some of our key concerns and suggestions.

Our definition of high-density family housing changed during the 1980s. In the 1960s and '70s, high-density family housing was characterized by the townhouse: a low-rise development with a central courtyard, as characterized by one of False Creeks' first phases. The 1980s have produced densities of up to 130 units per acre, and up to three times the site coverage in mid-rise apartment building forms.

In addition to the family housing proposed for the two new downtown neighbourhoods, we have developed other areas. We are also seeing more non-market family-housing developments in traditionally non-residential neighbourhoods. These pose unique planning and design challenges in terms of livability and security.

The first group of guidelines covers site selection and other issues that need to be addressed early in the planning process. Selecting sites for family housing in new neighbourhoods is relatively straightforward. Family housing could be clustered near a park or a school. Determining if an individual site is a non-residential or mixed area is much more complex. As a general rule, where a site does not have good access to all necessary amenities in the community, we ask for a higher level of indoor and outdoor amenities to be provided on-site. When family housing is developed adjacent to, or on top of, other non-residential land uses, it becomes much more difficult to provide for physical separation and security, and for visual and acoustic privacy.

To provide children with playmates of the same age, and to support the provision of adequate family amenities on-site, we have found that a minimum of 20 family units in a project is necessary.

The second section of the guidelines deals with the design of buildings and outdoor areas. A clear hierarchy of spaces should be established within each development. Individual units and their outdoor spaces should be designed to maximize privacy. Access to semi-private open space and indoor amenities should be limited to residents and their guests.

Our survey results indicated that residents' satisfaction with our outdoor areas is directly related to their sense of security. Gated and locked courtyards are the preferred design solution in high-density areas.

Common spaces, both indoor and outdoor, should be designed to be the focal points for social interaction. There must be adequate and appropriate open space to meet the needs of children and adults. Where possible, there should be a separate adult-only space provided. Rooftop decks often make ideal locations.

Remember that children will play everywhere, not just in their designated tot-lots. Stairwells, under stairwells, passageways – any and all nooks and crannies will be explored. Choose construction and landscape materials that are both safe and durable.

Common outdoor areas should be situated in a way that maximizes sunlight access, especially where we don't have much sunlight. In high-density situations, where outdoor areas are often located above the parking garage, ensure that there are no exhaust outlets or other mechanical equipment in or near the common areas where children will be playing.

City parking-standards prescribe the number of parking spaces that must be provided for various uses. With some grumbling, these standards are generally accepted. However, when we suggest that children require a minimum amount and quality of play space, we encounter resistance. One of the most frequent complaints encountered in our survey was the lack of adequate indoor and outdoor play spaces, especially for school-aged children and teenagers.

Suitable outdoor play spaces should be provided for children of all ages. We find that in most developments, preschoolers are well provided for. But we also have to provide for those aged six to twelve. We should design these play areas to be safe and secure, but they need not be sterile or boring. We have to allow for discovery and adventure. Also, plan for teenagers. They seem to be the forgotten group in the planning. If you don't provide for them at this stage, future residents will certainly complain. For parents, provide seating that's close to the play areas.

If there are good community amenities close by, such as playgrounds, parks, school play areas or recreational facilities, the extent of the on-site amenities can be reduced, but certainly not eliminated. Small children require supervision while at play, both in indoor and outdoor areas. The basic elements of supervision are: visual access for the parent or for the care-giver from the unit; natural surveillance from other units and from such common areas as laundry rooms; and, so that someone can quickly reach a child in trouble, you need a direct and unobstructed access route from the unit to the play area, one along which visual contact can be maintained.

The ability to supervise play must be combined with a play area that is secure and that's accessible only to residents. In buildings with double-loaded corridors, where not all of the family units overlook the common outdoor play area, supervision is a problem. Consider solutions such as rooftop play decks or observation corridors or lounges.

The entire building and environment should be designed with the safety needs of children in mind. Some features requiring special attention are windows that open, stair and balcony railings, electrical heaters, and landscape materials. Children's play areas should be separated from parking areas and roadways. Hallways and stairways should be designed to accommodate the full range of activities that will

occur there. In projects that contained units for the disabled, the survey respondents commented that the ramps and wider corridors benefited all the residents. In high-density developments, particularly non-market ones, space is limited, and individual units cannot accommodate all the indoor activities that will take place in the basements, playrooms and attics of single-family dwellings. A multi-purpose room with a kitchenette can be used for a range of activities, including residents' meetings and kids' parties.

Design and locate your laundry rooms and other common amenities so as to foster social interaction and facilitate natural surveillance of common areas. The amenity spaces should be designed so that residents can adapt them to a variety of uses. For example, a library room, Nintendo room or teen lounge. A number of these spaces can be added later. A later addition allows the residents to determine for themselves what spaces they require.

Consider designing one of the amenity spaces to meet day-care licencing requirements, so that residents have the option of adapting it for use as a day-care centre.

Ensure that the parking is accessible and secure. Vancouver has in its parking by-law a section on security that outlines the requirements for lighting, landscaping, stairwells and security gates. The guidelines apply to commercial and residential developments.

The final section of the guidelines addresses the design of individual family units. Because non-market family units usually do not include a family room, the dining room should be designed to accommodate a range of functions. For example, it could also function as a library and a study area.

In a two-bedroom unit, we often see a large master bedroom and then a very small bedroom for two children. Designers should try to equalize this a bit by providing enough space in the children's bedroom for a bed, dresser, table and bookshelf – and still leave some room for play. Design the kitchen so that you can look from the kitchen to the private outdoor area.

Especially in high-density areas, care must be taken to minimize both the visual and acoustical intrusion into the dwelling units and into their private outdoor spaces. The glass blocks are an effective and attractive means of preventing the noise from entering the central courtyard. Visual privacy can be achieved by orienting windows and balconies, by controlling the distance between buildings, and by using screening. However, care must be taken to not create security hazards.

The private outdoor space of a unit will be used for a variety of outdoor activities. The balcony of a family unit should be at least 10 feet wide and 6 feet deep, and oriented to admit as much sunlight as possible. I don't like giving minimums, because they unfortunately become the standard, but 6 feet x 10 feet really is the bare minimum.

There never seems to be enough conveniently located storage. Each unit should have adequate bulk storage. A great variety of things need to be stored. There should be storage on-site for things that are used regularly, and storage lockers in a convenient location for things that are used infrequently, such as holiday decorations and camping equipment.

Bike storage: again, there never seems to be enough in the right places. The guidelines that we now have say that there should be one bike-storage place for every three units. We've revised that to one bike-storage place for every unit. There should be some storage near the play area for small bikes: kids' trikes, bikes and ride-alongs. Commuters want convenient, secure storage for bikes near the building entrance, or near the parking ramp or elevator. Outdoor, lockable bike-racks (for short-term parking) are also desirable.

Our guidelines are based on a desire to ensure that housing built in high-density urban situations meets the family's functional, social and economic requirements. Some of our requirements may increase the cost of construction; however, if we want to create healthy, safe communities, we must be prepared to invest in the physical and social infrastructure. In Vancouver, the cost of downtown land has pushed us all to the limit, in terms of our ability to build livable, non-market family housing within the current Maximum Unit Prices (MUPs).

In concluding, I have this message for housing agencies: densities are going up, unit sizes are going down, and amenity areas are being cut back. We are all familiar with at least one example of a public housing disaster. Let's not repeat the same mistakes. MUPs must be set to reflect the real cost of providing livable housing for families in high-density urban situations.

KEEPING THE INNER CITY AFFORDABLE FOR YOUR FAMILIES

Jim August
General Manager
Winnipeg Core Area Initiative

The following is an overview of the Winnipeg Core Area Initiative, and in particular of its housing program.

The Winnipeg Core Area Initiative, unique in Canada and North America, is an agreement in which three levels of government work together as equal partners. It is also a partnership with the community at large. Our mandate is not to do what the governments or private sector should be doing, but to help facilitate projects between the public and private sectors. We endeavour to initiate and make viable those projects that may not have happened for one reason or another. The Winnipeg Core Area Initiative agreement is unique in that it is the first time that an urban revitalization program has attempted to address such a variety of problems.

Programs of the Core agreement include: strategic capital projects; cultural facilities; employment and affirmative action programs; community services and facilities; heritage building redevelopment; entrepreneurial development for inner-city residents; and housing, which is one of the main programming areas and one of the agreement's main thrusts.

Winnipeg is a city of approximately 620 thousand people, and is in a province with a population of more than one million. It is the major urban centre in Manitoba, and it's growing – thanks to an influx of new residents from northern Manitoba and of immigrants and refugees from other countries. The revitalization in downtown Winnipeg is important to its surrounding neighbourhoods, and in particular to the housing in those neighbourhoods.

Winnipeg's core is an area with a population of about 100 thousand people. A number of neighbourhoods within that area are now receiving our special attention. It's really the centre of the city, and we have focused our efforts on the old part of this core; it is that area's residents, in particular the large number of seniors, new immigrants, native people and single-parent families, who have benefited from our efforts.

Successful housing is seen as a key element of a revitalized inner city. In Winnipeg, the efforts of the Core Area Initiative have contributed significantly to the success of a number of inner-city housing programs.

Winnipeg has a solid stock of housing in neighbourhoods that are close to downtown. We have some very healthy residential areas in and around downtown, and we also have some serious problem areas – which is where our attention has been focused.

One such neighbourhood is the Central Park area, which is just north of Portage Avenue, Winnipeg's main shopping street. One of the great strengths of the Central Park area is the park itself, a beautiful area that was developed at the turn of the century as Winnipeg's major downtown park – although in previous years it had been attracting some undesirable elements. In developing the area, the park was used as the focal point, and funds were spent on street-scaping, community facilities and services, as well as on housing. Our goals were twofold: to attract new residents to the area, and to improve the quality of life. We wanted a mixed area that would include public housing as well as private sector housing and co-op units. The following is a description of some of the projects developed in the area.

One of the first projects was the Warwick Eagles Housing Co-op. This was at one time a beautiful apartment building where Winnipeg's elite lived in the early 1890s. It had run into some hard times, and had become one of the most undesirable buildings in the area. Realizing its revitalization potential, the Eagles Housing Co-op was formed and the building was purchased. The Core Area Initiative grant of $132,000 was the piece that allowed the project

to happen, because it gave the housing co-op group the equity needed to arrange the other financing. The 54-unit block is now a very vital project. It once again faces out over the park, and is a well-known landmark. Its redevelopment was seen as a major catalyst in the rejuvenation of this district.

Another of our goals was to attract some private development to the area. The Core Area Initiative purchased some key vacant lots in the area, and held a housing proposal call. One of the senior city councillors told us there was no way we would ever see a single stick of private development in the area, yet every major developer in Winnipeg submitted a bid. The contract winner was Shelter Corporation, which ended up constructing two major apartment blocks. Both are completed and doing well.

Another private development project is the Nokomis Building, which was an older brick warehouse in the area. Extended negotiations with the developer resulted in the construction of another 27 units of market housing. Again, the Core assistance was really the amount required to make it viable.

The Core Area Initiative was also very instrumental in the development of the Central Park Housing Co-op, a 44-unit family co-op managed by a woman who headed the Manitoba Anti-Poverty Organization. This project assembled a group of people who had never thought they would be home-owners, and who are now proud occupants of this unique housing co-op.

In all of these projects, the main tenants are families, young couples, and some seniors. Their backgrounds are quite varied, and this results in very unique projects.

As a result of our efforts, the Winnipeg Housing Rehabilitation Corporation has also become very active in the neighbourhood. The Core provided that corporation with some assistance when it converted a 26-unit building into 13 family suites. In addition, the corporation has constructed two new apartment blocks, and is continuing to provide much-needed subsidized housing to lower-income families.

The Initiative wanted to be in a position to respond to the community's needs – and we *have* responded. As of 1990, more than 300 new units of housing had been built, and a school has been constructed. By having funds available to close the gap and thus ensure a project's viability, the Core has been successful in the unique transformation of this inner-city neighbourhood.

The Initiative has been involved with other successful housing projects, including the following.

(a) S.E.A.R.C.O.M. is a 56-unit project for new immigrants. The building is adjacent to the downtown area, and will provide both housing and settlement services.

(b) The Payuk Inter-Tribal Housing Co-op provides assistance and shelter to single native mothers.

(c) The Free Vietnamese Housing Society is a project for housing Vietnamese families.

In the above projects, the Initiative has provided an equity grant to ensure the project's viability. Project financing in all cases has been provided by Manitoba Housing.

(d) The Winnipeg Housing Rehabilitation Corporation, with our financial assistance, has targeted some of the most difficult buildings on a street or in a neighbourhood, purchased these buildings, and then completely renovated them – turning these tiny one-bedroom apartments into larger two-bedroom units. Our financing, added to the regular government financing, can really facilitate success.

(e) The Chinatown area has grown significantly, and CMHC has financed a very impressive housing development there. Our role was to add some amenities, such as the Chinatown Cultural Centre. We achieved this through a joint venture with a private developer. We also provided the street-scaping and other enhancements for families that are moving into the inner city.

(f) Our infill housing-program has been very successful, with Manitoba Housing taking the lead on these housing projects. The Initiative provided some additional subsidies, writing down the land costs so that families with moderate or low incomes could buy into the units at affordable prices. In this program, we built a number of unique designs on 30-foot inner-city lots. These houses were the result of a design competition (held a number of years ago) for units that would fit into the neighbourhood in a subtle way. Throughout Winnipeg's core area, you can see a number of these units.

(g) Habitat for Humanity is a non-profit, volunteer-labour housing group that we've been working with to provide single-family housing to families in need. The Initiative has provided the funding to develop a new subdivision adjacent to downtown in the northern Point Douglas area. In total, the Core gave $250,000 to build the

infrastructure in the area. Habitat then worked through community volunteers and others to build units for families in the inner city. Land for the project was donated by the City of Winnipeg, and houses are sold for about $30,000 to disadvantaged residents.

(h) Winnipeg has a very fine collection of turn-of-the-century warehouse buildings that are generally in a very good state of repair. If they are not utilized for housing or some other purpose, they will probably be demolished. There is a market, and there is a way of doing residential conversion that could be targeted to moderate- and low-income families. The Initiative has been involved in a number of warehouse-conversion housing projects, the first being the United Housing Co-op – a Filipino-based housing group that has done a number of suburban co-op housing projects. Their first project in the inner city was conversion of the old Manitoba Telephone System office building into a 30-unit residential project. Again, we provided the equity grant and they arranged the remainder of the financing. The project is adjacent to the city's heritage district.

(i) The Ashdown Warehouse, which has 100 units, is the largest warehouse-conversion project in which we've been involved. To ensure the project's viability, we provided the developer with major assistance. We wanted people to live downtown in the Exchange District, and as a result this project was developed. The project includes five floors of unique warehouse condominiums, and 92 of the 100 units have been sold – at prices ranging from $80,000 to $130,000.

The Ashdown Warehouse and the other warehouse-conversion projects are adjacent to the River Walkway. It is important that downtown housing have some amenities comparable to those in the suburbs. Parks are extremely important.

To ensure that we're not building houses without providing services, it's important to work with organizations like the Boy's and Girl's Club, the churches, the downtown YM/YWCA, the schools, and other service deliverers in the downtown area.

Among the future trends is the highrise housing project in downtown developments. The North Portage development in Winnipeg is a good example of this. The other opportunity is to utilize some of the area's wonderful old buildings. Doing so is not costly, and to date we have found that the cost of these conversion projects is lower than the cost of new construction.

In all of the projects with which we've been involved, one of the biggest problems is shopping. Safeway and Supervalue don't build stores downtown, and as a result we have to find other means of meeting these needs. One of our most successful commercial projects was to fund the development of a downtown public market at the Forks. Recently completed, the market provides a unique food-shopping experience to those who live and work downtown.

It is important to reinforce the importance of neighbourhoods that surround the downtown area, to build on the strength of residents' groups, and to respond to their ideas in a positive manner. It's easy for governments and agencies to find reasons why things can't happen. It's important to pull government programs together, as the Winnipeg Core Area Initiative is doing, and to respond to some of the creative ideas that come from these groups. There are many very creative and capable people out there that need guidance and, obviously, some financial assistance. The Initiative has been successful at listening to these groups, and as a result a number of very successful, innovative housing projects have been developed.

AN AFFORDABLE-HOUSING ALTERNATIVE: THE CONVERSION OF RETIRED SCHOOLS

Adrian Sheppard
Associate Professor of Architecture
McGill University

I will discuss the adaptive reuse of three abandoned Montréal schools into low-cost housing alternatives. These three examples are by no means unique, but they do illustrate some of the available ways to recycle school buildings, and they demonstrate the inherent potential that lies in these older structures.

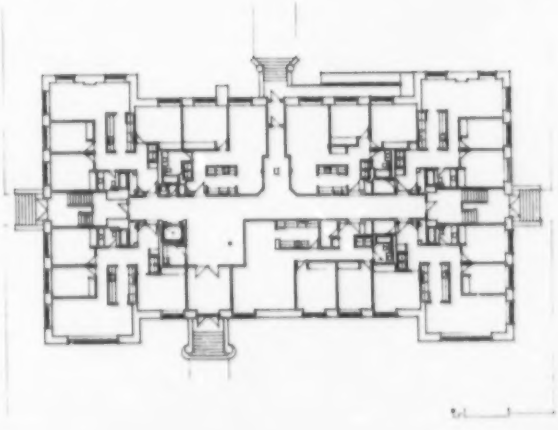
Because of the recent inner-city demographic changes and enlightened government housing-programs, the conversion of unused or unusable schools into housing had, for a time in Quebec, become one of the most interesting and viable alternatives to affordable housing. By 1985, we had successfully completed five such conversions. The three examples, all completed between 1982 and 1984, illustrate some prototypical conditions for such projects.

These conversions made me think how contemporary architecture has failed most conspicuously in its ability to deal with history, continuity and physical context. In fact, modern architecture stubbornly places itself in direct opposition to most architectural traditions. It rejects the authority of precedent in favour of the authority of program, and in so doing, celebrates originality and the development of new typologies over established compositional principles. In its revolutionary enthusiasm, it not only dissociates itself from its immediate past, but more often than not assumes an iconoclastic attitude toward the existing built environment, be it buildings, streets or cities.

For a while, this posture has been seen as a necessary precondition for the improvement and restructuring of the urban built environment. Today, this course of action is painfully visible. Few contemporary buildings fit sympathetically into the non-modern or traditional city. Most disrupt the existing organism and leave behind an irreparably scarred tissue.

Consequently, the retrieval and reuse of old buildings should not simply be seen as a means by which construction costs may be reduced or by which value may be increased, but rather as a process which stands for urbanistic, historical and environmental common sense. It is a way to conserve our resources and to reconnect with the past.

Le Dolmen



School buildings make for good conversions

Three significant characteristics make school buildings readily adaptable to new uses. The first and possibly most important aspect is the school's location within the city and community. Secondly, the school building-fabric lends itself easily to the integration of contemporary dwelling-units within the given envelope. Thirdly, since they've been designed for public occupancy, school buildings usually conform to the most demanding building and fire code requirements.

Often, school buildings are situated in well-established residential areas still undisturbed by the expanding or changing nature of the city centre. These buildings – once shut down because of dwindling enrolment, high maintenance costs and functional obsolescence – still project a strong image and elicit intense feelings from their neighbouring residential community, which has maintained important and long-lasting emotional ties with the school and its playground. Thus, recycling into any type of housing is eagerly welcomed by the community that, for many years or even generations, strongly identified with the institution.

Most Canadian school buildings can be classified into one of three categories: those built before World War II, those built in the two or three ensuing decades, and those built during the past twenty years. The latter two categories are of little relevance to this discussion, because very few of those buildings have been subject to recycling. Moreover, because of their great variety in size, geometry, construction, spatial patterns and so on, it is difficult to generalize about the conversion of the more contemporary school-building types. One cannot define or establish visible "patterns" of reuse or discern "transferable" ideas, when in fact each building appears to constitute a different prototype.

This is why I will not discuss the category of the pre-World-War-II school. Because of their dominating image and oversized classrooms with poor acoustics and inadequate lighting, these older buildings were, until recently, considered institutional monsters. Now, they're the buildings that best lend themselves to a large variety of transformations. They are especially well-suited to being recycled into housing. They not only tend to have large classrooms with generous windows, but the normal classroom module, which also corresponds to their structural bay (between 8 m and 10 m), is equivalent in size to an average one- or two-bedroom dwelling unit. Ceiling heights are usually about 4 m, and, when necessary, can be dropped to provide space for mechanical and electrical systems or to create an acoustic plenum between floors. Basements can be recycled easily into storage space, lockers, communal facilities, meeting rooms and, in some cases, can be used as additional housing.

The pre-World-War-II school is usually situated in a large playground. These years offer a number of opportunities for reuse that not only add to the project's viability, but that also enable the project to meet the usual parking and recreational requirements of sound contemporary housing. Windows are normally numerous and generous, spaced at about 3.5-m intervals – an ideal spacing for housing.

By and large, the older inner-city school building appears to be the building type that presents the fewest difficulties and offers the greatest returns when it comes to adaptive reuse. This may be why schools, more than any other building type, have been successfully converted to new uses – and especially to housing.

Though ideal in structure for conversion, the conversion process is not always smooth. The three projects had a number of factors in common: all were schools, all had been abandoned, all had to be converted into housing for non-profit co-operatives and all were free-standing buildings of similar size. All are situated in the centre of solid residential areas and are located near or at important arteries. All are well served in terms of shopping and other facilities. Their conversion designs and execution followed one another at intervals of approximately 12 months. Furthermore, the architect's design approach, the methodology of work, and the client's attitudes were similar in all three cases. The principles of design and the means of client participation that were formulated for the first project were fine-tuned for the second, and perfected for the third.

In order of conversion, the buildings in question were: Marius Barbeau Secondary School (1982), Boucher de la Bruere Secondary School (1983), and Monseigneur Richard Elementary School (1984). Today, they bear the names of their respective co-operatives: Les Habitations "Le Retour à L'École," Les Habitations "Le Dolmen," and Les Habitations "L'Alternative de Verdun."

"Le Retour à l'École" and "Le Dolmen" are both symmetrical, H-shaped buildings. While the former had only one main entry, the latter had two: one each for boys and girls. "L'Alternative de Verdun," in contrast, is a continuous, linear building that was built in three successive phases – the last of which contained a priests' residence. The impeccable blending of the phases, from both a construction and design viewpoint, makes the whole appear as if the building had been conceived and erected as a single, finite unit.

The three schools are of the same vintage, having been built in 1929, 1914, and 1924, respectively. Their structural systems are similar. Their outside walls bear masonry, while the internal frame is reinforced concrete that supports a concrete slab in the first two instances, and a steel frame supporting a wood joist floor-assembly in the last instance.

The window openings in all three buildings are high and wide, especially along the main façades. In the case of "Le Dolmen," some front rooms have windows that measure nearly 6 m x 2.5 m. The ceiling heights are never less than 3.5 m. All the mechanical rooms were situated in the basement. None had elevators.

As was the custom at the time, these schools had been planned with a 3.5-m-wide central corridor at each floor – a corridor that linked two large stairwells. All classrooms, laboratories, offices and service rooms were strung along the two sides of these corridors.

Marius Barbeau and Boucher de la Bruere schools each contained a large double-height space. In the former, a chapel occupied part of the upper two floors, and in the latter an assembly room was situated in the central part of the ground and first floors.

The three projects

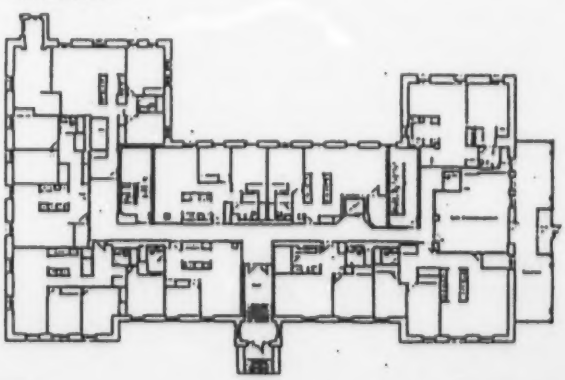
The buildings' interiors were totally gutted and rebuilt. They contained no significant or interesting architectural elements. The space were banal, the partition walls and finishes were of poor quality, and the windows were heavily damaged or decayed. Thus, all finished partitions, windows and mechanical services were ripped out. Only the structure, the outside walls, the floor slabs and fire stairs were retained.

In the two double-height spaces, an intermediate floor slab was inserted; and above the central part of Marius Barbeau School, a new attic floor was added. All these additions were possible because of the reduced live-load requirements for housing. It had been estimated, in some instances, that the bearing capacity of the structure was close to 200 pounds per square foot – more than four times that required for housing.

The quantitative aspects

Before their conversion, Marius Barbeau, Boucher de la Bruere and Monseigneur Richards schools contained gross internal above-grade floor spaces of 3800 m^2, 2800 m^2 and 4300 m^2, respectively. After the conversion, they accommodated 38, 31 and 37 dwelling units, respectively. All of CMHC's quantitative and qualitative standards for modest housing were rigorously followed. The average gross-floor-area per dwelling unit for the three projects is 108 m^2, and since the average percentage of the total gross area devoted to structure, walls, circulation, service areas and communal facilities is 25 percent, the net area per dwelling unit is 81 m^2.

The housing typology in the three projects faithfully reflects the requirements of the co-operatives – requirements which happen to correspond closely with CMHC-recommended standards: namely, 25 percent should be three-bedroom units, 50 percent two-bedroom units, and 25 percent one-bedroom units. The combined average number of bedrooms is 2.2 per dwelling unit, or 10 percent above the recommended standards.



Le retour à l'école

When designing the units, we involved the client. A housing co-operative is not a conventional client. It is a group comprising a number of active members, rather than a single person or committee. Each member has a distinct but equal interest in the project. All tend to speak as much for the group as for themselves. This attitude is normal, even healthy; but if left unchecked, this multi-faceted, active involvement can become counter-productive. To avoid this pitfall, a well-defined approach to work had to be established at the study's onset, and had to be followed throughout the project's design and execution.

This approach was based on a simple principle: that in a co-operative housing project, there exist collective as well as individual needs. And although the architect must respond to both, the communal need must always govern over the individual needs in the event that a choice between the two must be made, or in the event that priorities are to be established or conflicts of interest are to be resolved. The professional relationships were structured so that both areas of the study – group and individual – were clearly defined. This way, the tasks of both the architect and the client were divided into two parts.

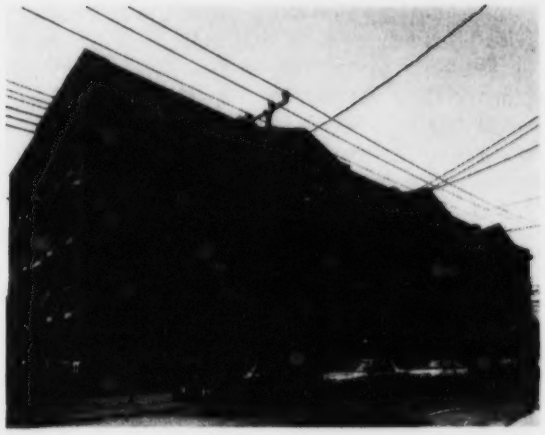
For this reason, the architect requested that, in matters relating to collective concerns, all dealings with the co-operative be done only with a steering or building committee, and that this committee act as the group's sole voice. Its roles were: to establish, together with the architect, all the design parameters; to define the jurisdictional limits between the concerns of the group and individuals; to formulate architectural design criteria; and to approve the work for the professionals.

A number of different planning scenarios were developed. Each was tested in terms of its response to the program, its economic viability, and its architectural merit. Once a final choice was made, preliminary studies were prepared – which incorporated all the predetermined design parameters and criteria for the buildings as a whole, and for the dwelling units. Eventually, each of these dwelling units was designed individually with the participation of its future occupant.

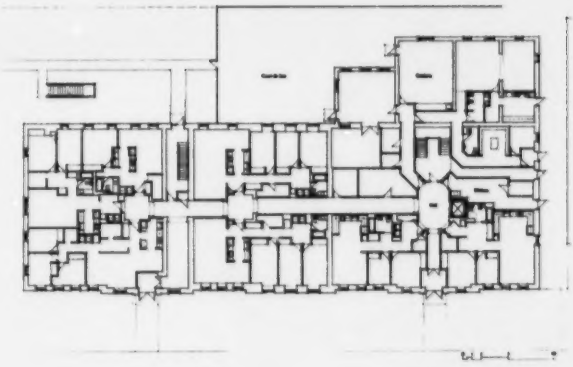
Costs and value

The overall costs for conversion of the three schools were $1,364,000 (1982), $1,313,000 (1983) and $1,427,000 (1984). These translate into an average of $37,000 per dwelling unit, or $390 per m^2. Although these figures do not include acquisition or indirect costs (such as professional fees), they do include all the demolition, construction and landscaping expenses, as well as installation of all communal facilities (such as meeting rooms, offices, workshops, etc.).

Since the average dwelling unit contains 2.2 bedrooms, one can assume by extrapolation that a 2-bedroom dwelling unit of approximately 80 m^2 net would cost $33,000 (1983). To this figure must be added the acquisition costs of the building and land, which amount to an average of $4,000 per dwelling unit. In other words, the final cost, excluding professional fees, is less than $40,000 per dwelling unit.



Verdun



If one uses floor areas as the sole criterion for assessing the cost of constructing a dwelling unit, then new housing can be produced today at a slightly lower cost – perhaps 10 or 15 percent less than the above. Nevertheless, costs cannot be measured solely in terms of floor area. Overall value must be the ultimate yardstick by which the investment is measured. Contemporary housing cannot, for the same amount of money, give us dwelling units with spaces that are between 3 and 5 m high, oversized windows, large corridors, generous garden areas and so on. Nor can it give us unquantifiable values such as historical significance, urban presence, exceptional façades, and symbolic meaning.

A lesson to be learned

Marius Barbeau, Boucher de la Bruere and Monseigneur Richard – once built as proud learning institutions in the very heart of their neighbourhoods – reflected a social and demographic reality that is different from our own. With the changes in lifestyles and with the shifts and transformations in our urban residential patterns, these buildings have lost their socio-economic raison d'être. They have become redundant "sitting ducks" awaiting demolition.

These conversions saved the schoolhouses by making them productive once again, albeit for a different purpose. Their recycling also confirmed the fallacy of the premise that there is an ideally suited building form for a particular activity. The three conversions were implemented with great difficulty – not because of technical constraints or client exigencies, but because of interminable bureaucratic obstacles and foot-dragging. The architect and builders had to rely a great deal on the co-operative members' unquestioning desire to carry on the struggle and to survive as a unit. These groups, which were blessed with determination and good will, started out as virtual neophytes in matters of architecture and financing, and by odyssey's end they became contributing and participating partners in the design team.

In terms of city rebuilding, we are at a new beginning. There is no doubt a surge of interest and sympathy for the preservation and recycling of buildings that are in danger of falling into disuse. The ideological battle for the conservation of buildings is being won on many fronts, as the relevance of old architecture is recognized and as we finally accept that functional redundancy of buildings need not lead to demolition.

Irrespective of the form of tenure or the extent of subsidies that were given in these projects, it is clear that an average-sized old school can be recycled into successful family-housing units for about the same money that it would take to construct a new housing-block. Nonetheless, the product would not be an equivalent one. The total volume of each dwelling unit would be reduced by about one third, the public spaces would be smaller and meaner, the site less generous, and the construction less sturdy. So the term "affordable housing" must be used with some caution. Affordability is relative; it has to do with both absolute cost and with value for money. The recycling option is particularly interesting in terms of the latter.

FACTORS AFFECTING ACCESS TO AFFORDABLE HOUSING FOR FAMILIES

Peter Gabor, Architect
Gabor and Popper Architects
Toronto

Being the last speaker has given me the opportunity to partake in many of symposium's sessions. And what I have heard confirms for me a key truth:

> Affordable housing for any constituency is much more than an architectural or planning design-problem today. In the fast-growing and expensive urban centres, where there exists the most acute shortage of this type of accommodation, this fact is clearly not understood by enough people in industry or government. As a result, very little affordable housing has been produced in the last few years: in fact, in the last ten years!

I hope to illustrate some of the problems and to offer some suggestions.

Affordable housing, for young families in particular, poses even more varied and challenging problems than the provision of other types of housing within the urban context. This market is broken up into multiple segments, including traditional, extended, and single-parent households.

Where do we begin? How can we provide low-priced and moderately priced housing for these young families? The first issue to recognize is that family housing cannot exist in a vacuum; that is, it can provide the desired "quality of life" in housing only if, as a prerequisite, the appropriate level of amenities and services is provided either before or in conjunction with the housing. Furthermore, it is clear that for both the project's residents and for the wider surrounding community, the housing has to be well integrated into the existing neighbourhood's very fabric.

It is often assumed that urban centres offer a utopian field within which housing projects can be successfully dropped anywhere. Nothing could be further from the truth. Yes, urban centres contain some very important economic and environmentally important infrastructure; but many amenities and services directly related to the particular needs of family housing are difficult to achieve, and are normally lacking within the general urban framework. Often, ways must be found to provide this amenity package as part of the project itself. This is no mean feat, given the goal of providing affordable housing.

Many of these families live in highrise or other multiple-housing forms, but the municipal government is not providing the required amenities – such as a recreation centre and library – that are provided within single-family neighbourhoods.

One of the key elements of this amenity package, which is integral to the successful development of family housing, is the provision of open space: private, semi-private, and public open spaces that provide a variety of outdoor areas with varying levels of privacy, security and both supervised and unsupervised activity in and around family-housing developments. Other needs have been identified, and include the provision of day-care, nearby availability of retail and other services without the need for cars, and the provision of public transportation within reasonable distance. The municipal government must also identify – and if necessary, create – the parks that are an integral part of city living. All are important elements that must be in place or be provided.

Of course, there are design issues, but these are often governed not so much by design constraints per se, but rather by regulatory inflexibility and bureaucratic and political paralysis in the face of a public all too often infected by NIMBYism. This disease has become so pervasive that it is now impossible to build affordable housing in or near any established neighbourhood. Well, almost impossible; there are

some encouraging signs that the tide might finally be changing.

So the biggest obstacle to affordable housing, at least in my area of practice, is public opposition: opposition sometimes to the notion of affordable housing itself, and sometimes to the perceived threat of increased density or even simply to the fear of change itself. The notion of civic or social responsibility for the provision of the full spectrum of housing opportunity is rarely brought into consideration.

Therefore, design solutions that will assist in the provision of quality affordable housing for young families are often inextricably tied to difficult-to-achieve changes in regulatory standards, both in terms of zoning controls and building code provisions. These changes include:

- Design solutions (and zoning permission) that offer within self-contained units themselves the flexibility of use – such as income-producing sublets that offer additional opportunities for cost reduction, through measures that go beyond the "later add-on or finish of unfinished space" approach.
- Relaxation of some standards that needlessly add to cost, such as parking and loading requirements; elimination of the need for an elevator in buildings of more than three or four storeys – and even in buildings that have four storeys and a loft.
- Development of creative zoning that allows better integration of housing within street commercial and hitherto unexplored siting possibilities, such as non-obnoxious warehouse and light industrial zones.

Other speakers have explored additional ways of reducing land and infrastructure cost without involving ever-scarcer public funding or other subsidies: for example, public-private joint ventures. Each method has an impact on design, and each offers a myriad of possibilities within the urban context. Each of these issues touches on design considerations, but much more than good architecture is required to ensure positive results.

Practical solutions

In 1988, the problem of providing affordable housing within the urban environment was a high priority. The Toronto Home Builders' Association sponsored a charette on affordability that produced designs and policy recommendations for several urban models. Intensification along materials (an initiative picked up by the City of Toronto two years later), and mixed-use with hitherto untried combinations, were both explored. But all to no avail. The timing was premature, and demonstration projects were all abandoned.

The pressures kept building, however, and more and more people were thinking and expressing the unthinkable: that intensification was the only way to provide more affordable housing within the city (and that it was a desirable option even in closer suburbia).

We designed two schemes for the Main Street Intensification Competition recently held in Toronto. Each illustrates the points I have been making.

The first shows the concept of a modified European courtyard building, which allows for the various private and public open spaces that benefit both the project and the street itself. It also shows ways of integrating revenue to produce higher-value space, and shows how parking arrangements, through self-subsidy, could reduce the housing's cost. The final phases of this model would require an expansion of the higher-density zone into the low-density residential area behind. In my mind, the courtyard concept is impossible to achieve without this incursion.

The second scheme tries a different approach, more representative of the typical and historic development-pattern along Toronto's main streets. It envisages a modular building, with owner-occupied housing above the stores at street level. Here again, the idea is to find a way of subsidizing (without government assistance) the young families that would buy these units. The units are designed to be flexible, with parts that could be rented out or used for minor commercial use, all of which produces extra income. As the family's income would increase, they would have the option to move (freeing up the unit for another family), or to take over the space that had previously been leased out. The result is a flexible building that is built complete and finished, one that offers a wide variety of flexible housing options for a mix of tenants.

These types of projects are very worthwhile, but are still in the very early stages of political acceptance.

Conclusion

The question of providing affordable housing for young families requires a multi-faceted

approach. If I can leave you with one thought, it is to encourage every level of government to promote the idea of affordable family housing in the built-up environment.

With political will, encouraged by an educated public, the shortage of affordable family housing can be alleviated. We don't have to depend solely on public financing to provide the housing we need. There are many ways for the private sector to contribute. In reality, a combination of private sector and public sector initiatives can provide the full spectrum of housing opportunities for the young families of today and tomorrow.

AWARDS PROGRAM

The Vancouver symposium was the culmination of the award cycle and was the event at which the award winners were honoured.

The award cycle uncovered some exceptional approaches to making housing affordable and accessible to young families through community involvement, planning innovation and appropriate design.

These are the award categories and winners.

FINANCING AND TENURE

John MacDonald, John Joe MacNeil and Fabian McKinnon, founders, The Cape Breton Labourers' Development Company Ltd., Sydney, Nova Scotia.

Developed a payroll-savings and benefit fund that allows needy members to purchase modest homes through a lease-to-own scheme which requires no down payment and low monthly payments.

TECHNOLOGY AND PRODUCTION

Ghislain L'Heureux, Insonorisation GLH Inc., Saint-Ferréol-les-Neiges, Quebec.

Developed three building products to reduce the flow of noise between units in multiple-unit dwellings. These products anticipate the raising of current National Building Code standards.

PLANNING AND REGULATION

Paul McNeil, City Homes Ltd., Winnipeg, Manitoba.

Transformed vacant inner-city lots and marginal housing into new, low-cost, single-family homes. Central to the achievement is the use of undersized lots, which the developer proposed and the City approved by overruling existing zoning regulations.

CONCEPT AND DESIGN (SHARED)

Karen E. Lips, Lips and Associates Development Consultants/Bergmark & Hammarlund Architects, Charlottetown, P.E.I.

Developed a complex of 22 housing units for income-assisted families and people in crisis, designed and built to be operated as a co-operative. The design of the complex makes superb use of the site's natural features and blends well with neighbouring heritage structures.

Paul Reuber, Paul Reuber Inc., Architect, Toronto, Ontario.

Transformed a historic Toronto residence, built by painter Paul Kane, into an 18-unit, non-profit housing co-operative. The development provides affordable housing in the city core, preserves a structure of historic value, respects the character of surrounding buildings and creates a public park.

Full details on the award-winning ideas and the honourable mentions are given in the companion document *CMHC Housing Awards 1990*.